

DEPARTMENT OF HIGHER EDUCATION AND TRAINING

NO. 917

01 SEPTEMBER 2017

CONTINUING EDUCATION AND TRAINING ACT, 2006 (ACT NO. 16 OF 2006)**CALL FOR COMMENTS ON THE REPORT OF THE MINISTERIAL COMMITTEE TO DEVELOP A FUNDING FRAMEWORK FOR COMMUNITY EDUCATION AND TRAINING AS WELL AS TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING COLLEGES**

I, Bonginkosi Emmanuel Nzimande, Minister of Higher Education and Training, in terms of section 23 of the Continuing Education and Training (CET) Act, 2006 (Act No 16 of 2006) hereby publish a report of the Ministerial Committee to develop a Funding Framework for Community Education and Training (CET) as well as Technical and Vocational Education and Training (TVET) Colleges as contained in the Schedule for public comments. The Executive Summary of the report is attached in the Schedule.

The full report is available on the website of the Department, www.dhet.gov.za.

All interested persons and organisations are invited to comment on the Report in writing, and to direct their comments to –

The Director-General, Private Bag X174, Pretoria, 0001. For attention, Ms MD Masipa, Email, Masipa.D@dhet.gov.za. Fax: 012 323 9091.

Kindly provide the name, address, telephone number, fax number and email address of the person or organisation submitting the comments.

The comments on the report of the Ministerial Committee must be submitted not later than 21 working days from date of publication of this notice.



Dr BE Nzimande, MP

Minister of Higher Education and Training

Date: 24/07/2017

Ministerial Committee on the review of the funding frameworks of TVET Colleges and CET colleges

Report

for presentation to

Minister B.E. Nzimande, M.P.
Minister of Higher Education and Training

July 2017

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Foreword

On behalf of the Ministerial Committee on the review of the funding frameworks of TVET Colleges and CET colleges, I wish to take this opportunity to express our gratitude to the Minister of Higher Education and Training, Dr Blade Nzimande, M.P., for affording us an opportunity to make contributions that will hopefully contribute to the strengthening of the TVET and CET Colleges. Since being appointed as Minister of Higher Education and Training in 2009, Dr Nzimande has brought the importance of these institutions for the development of our economy to the forefront and has contributed in meaningful and notable ways to the strengthening of the TVET College sector and the establishment of CET Colleges. These institutions were often neglected in budget allocations and development initiatives in various provinces. It is of utmost importance to ensure that these colleges are appropriately resourced and developed to enable them to fast-track the delivery of middle-level skilled individuals and fulfil their role in strengthening the economy and to enhance social mobility.

As cited in this report, 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. The Community Education and Training Colleges will provide access to many marginalised South Africans who need skills to improve their quality of life. These Colleges will play a crucial role in addressing the approximately current three million NEETs which are the youth between the ages of 18 to 24 who are not in employment, education or training.

The poor outputs from these Colleges have been attributed to inadequate resourcing, a dire need for capacity development, lack of appropriate learning support materials, absence of appropriate student support services, inappropriate programmes and poor coordination of efforts. It is imperative that the Government's efforts will have to be supplemented with investments from local government as well as the private sector, the NSF and the SETAs.

Funding allocations did not keep pace with the huge increases in enrolments aimed at widening access, which led to a situation which is not sustainable in the long run. It is imperative that a balance be achieved in resource allocations and development initiatives for the various sectors of the post-school education and training system. More resources have to be mobilised from more sectors of society to put these Colleges on a healthy growth trajectory offering relevant and high-quality programmes with much higher levels of student success rates.

It is believed that this report will be a valuable input for the National Plan for Post-Secondary Education and Training which is currently being developed by various task teams appointed by the Minister of Higher Education and Training, Dr Blade Nzimande, M.P.

Dr Charles Sheppard

Chairperson: Ministerial Committee on the review of the funding frameworks of TVET Colleges and CET colleges

Executive summary

1. This is the **Final report** of the Minister of Education's Ministerial Committee on the review of the funding frameworks of TVET Colleges and CET Colleges set up in the *Government Gazette* of 3 October 2014.
2. An additional substantial *Information report and appendices* of background papers provides the detailed evidence on which this report is based. The background papers include two on funding formulae for TVET and CET Colleges.
3. **Part 1** lays out the details of the two briefs given to the Committee.
4. **Part 2** on the **Economy and Education** looks at the interaction between the economy and education and argues that though the education provides a foundation for development, its contribution to economic and social well being 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.
5. **Part 3** examines **Post-school education and training as a public good** and proposes that there are social justice imperatives that drive the agenda for continuing to provide education even to those who have left the formal schooling system in any given society. In the context of South Africa, it means that the greater the proportion of the population that has completed secondary education and has acquired some skill to bargain with at the labour market, the better opportunity will be distributed in the population in general. South Africa currently lacks having a majority of working people have acquired a post-secondary school qualification. Attempts to address this lack in the post-school education system have until recently put the focus on TVET colleges only, but even these institutions do not yet function optimally. Adult education of a more basic type remains lacklustre in spite of the Community College policy proposals. Five principles that should inform the funding of post-school education are access, diversification of programmes, articulation, differentiation of institutions, and capacity building.
6. **Part 4** describes the **Technical and Vocational Education and Training Colleges**, their history, institutional form and the transfer from provincial to national oversight, programmes and current low throughput rates, inadequately qualified lecturers, insufficient industry-linked experience, and a limited programme qualification mix, with a lack of programmes relevant to local communities and industry. Their current funding insufficient (and growingly so) and inequitable (because grants are based on historical provincial allocations).

7. **Part 5, on Community Colleges and Community Learning Centres** (what were previously provincially run Public Adult Learning Centres, now nominally part of nine virtual Community Colleges) examines their programmes, chronic under funding and staffing with underqualified temporary educators. New policy on the new institutional form of “Community Colleges” is still at a largely vision stage with as yet no actual pilots of what would be district based Community Colleges with a number of attached Community Learning Centres and in turn satellites of these.
8. **Part 6** notes the findings of the literature study on **International post-school systems** that looks at the shape, functioning and funding of these systems. It examines, in particular, various funding mechanisms.
9. Part 7 has the Committee’s 58 recommendations on **A proposed funding framework for colleges.**

Acknowledgements

To:

The Minister of Higher Education and Training, Dr Bonginkosi Nzimande, M.P.

The Chair of the Ministerial Committee on the review of the funding frameworks of TVET Colleges and CET colleges, Dr Charles Sheppard, of Nelson Mandela Metropolitan University

The members of the Ministerial Committee and in particular the writing team, headed by Professor John Aitchison. A special word of thanks to Prof. John Aitchison who compiled the full Information Report and to Prof. Pundy Pillay who compiled this Concise Report from the various valuable written contributions made by the members of the Ministerial Committee.

The officials of the Department of Higher Education and Training, Ms Dorothy Masipa, Mr Zweli Nonkwelo, Ms Seba Swarathle, Mr Izak Joubert and Mr Firoz Patel played an invaluable role in the success of this review and to them the Committee members are grateful. A special word of gratitude to Ms Akose Maaka for her efficiency and enthusiasm who made sure that the Committee got all the logistical support that was needed.

The members of the TVET and CET reference groups, the Technical and Vocational Education Training Colleges Governors' Council (TVETCGC) as well as South African Further Education and Training Student Association (SAFETSA) who provided inputs to the work of the Ministerial Committee.

The various universities that released members of the committee to devote periods of intensive work time on the Committee

All the many gracious people the committee met who did presentations to the Committee and whom members of the Committee interacted with on site visits to institutions and centres in the nine provinces.

1. The brief of the Committee

The *Government Gazette* of 3 October 2014 gazetted the establishment by the Minister of Higher Education and Training of a Ministerial Committee to review the funding frameworks for Further Education and Training (now TVET) Colleges and Adult Learning Centres.

The purpose of the committee included:

- a) Proceeding with the review process of the current funding framework for Technical and Vocational Education and Training Colleges (TVET Colleges), assessing the funding framework's relevance and effectiveness in enabling TVET Colleges to play a key role in producing a skilled and capable workforce for the country, and finalising draft amendments to the national Norms and Standards for Funding TVET Colleges;
- b) Aligning the national Norms and Standards for Funding Adult Learning Centres to the proposed new institutional type of Community Colleges.

The main tasks of the committee were identified as being to:

- a) Analyse the current funding frameworks to determine whether they are effective in achieving the goals of attaining a skilled and capable workforce to support an inclusive growth path;
- b) Investigate other funding modalities of Vocational and Continuing Education and Training (VCET) institutions (i.e. the Community Learning Centres, Community Colleges, and TVET Colleges or other institutions similar to them) in other countries; make comparative analysis; and advise on the most suitable and preferable funding framework;
- c) Diagnose the relevance of the current funding approach in the light of funding modalities in other countries as well as all developments that have taken place especially at TVET Colleges e.g. diversification in terms of offering different types of programmes (NC(V) and NATED Report 191), development of artisans, technicians, etc. and propose the most appropriate funding framework;
- d) Draft amendments to the current TVET Colleges legislation after taking into account the review process; and
- e) Draft amendments to the current ALC legislation to ensure alignment to the new institutional type, the Community Colleges.

The Committee was advised that, although the review processes to revise the funding frameworks for TVET Colleges and Community Colleges would be kept separate (as these institutions in their current state vary in terms of programme mix; number of learners and sites; determination of enrolments; ownership of facilities used etc.), it was the prerogative of the Ministerial Committee to propose whether to continue to keep the two processes separate or to merge them.

There were therefore two terms of reference, the one related to TVET Colleges and the other to Community Colleges (and Community Learning Centres).

TVET Colleges

The Terms of Reference for the Ministerial Committee on the review of national norms and standards for funding technical and vocational education and training colleges provided background information and noted that the review process could include other aspects which were not catered for in the 2009 National Norms and Standards for Funding Further Education and Training Colleges, namely:

- \$ the funding for NATED Report 191 programmes and other skills programmes;
- \$ the introduction of a standard date for informing TVET Colleges about enrolments determined by Provincial Education Departments (PED) and the Department of Higher Education and Training (DHET) and indicative budgets for the following year;
- \$ the introduction of measures to deal with poor performance by TVET Colleges rather than decreasing enrolments as it is currently stipulated in the funding norms;
- \$ the funding of hostels;
- \$ the funding for bridging programmes e.g. Literacy, Mathematics, Science, etc.;
- \$ the consideration of the geographic location of colleges and poverty as rural colleges at times face challenges in sourcing funds from nearby private sector industries;
- \$ provision for access to and distribution of alternative funding sources (such as the National Skills Fund (NSF), Sector Education and Training Authorities (SETAs), etc.); and
- \$ the review of funding for special needs with different disabilities.

Included in the scope of work were the (additional) tasks of:

- (a) making recommendations on changes to the current funding framework in relation to:
 - \$ whether the current funding framework and approach will be able to make it possible to achieve the enrolment target of 1 million students in TVET Colleges by 2014 and 4 million by 2030;
 - \$ the funding of all Ministerial approved programmes and other skills programmes;
 - \$ how to deal with the under-funding of TVET Colleges as a result of over-enrolment (the current funding norms deal with over-funding and application of a claw back mechanism);
 - \$ whether the funding norms should continue using least cost of delivery and apply funding formulas, or use average cost to avoid administrative burden of applying and revising formulas (if needs be) at certain intervals;
 - \$ whether the current rate of college fee applied is appropriate (currently 20% of the total programme cost);
 - \$ what measures should be considered for adjusting the funding requirements for distance education and for experiential learning;
 - \$ how the earmarked recurrent funding should be applied in terms of its varied cost inputs per college;
 - \$ the relevance of the Basic Minimum Package;
 - \$ dealing with poor performance by TVET Colleges directly rather than indirectly by decreasing enrolments as it is currently stipulated in the funding norms;
 - \$ bridging programmes e.g. Literacy, Mathematics, Science, etc.;
 - \$ efficiency rates such as pass rate, throughput rate, certification rate, etc. taking into cognisance that some colleges have been put under administration; and
 - \$ a mechanism to subsidise private TVET Colleges.

- (b) advising how TVET Colleges can administer the recovery of college fees that in some cases culminate in bad debts.
- (c) making the funding framework to respond to the needs of historically disadvantaged TVET Colleges and of rural colleges with small campuses that are far apart from the central offices.
- (d) review the funding of students with disabilities.
- (e) propose the funding mechanism for compensation of TVET College Council members
- (f) determining the minimum size of a college and a campus which would be economically viable whilst delivering optimum outcomes.
- (g) determining a separate funding framework for hostel accommodation;
- (h) developing guidelines on how other sources of funding such as Sector Education and Training Authorities (SETAs) and National Skills Fund (NSF) could contribute towards TVET college expansion and the funding other skills programmes which are not part of the Ministerial approved programmes.

Community Education and Training colleges

The Committee was also empowered to include other areas of focus that were pertinent.

The Terms of Reference for the Ministerial Committee on aligning the National Norms and Standards for Funding Adult Learning Centres (NSF-ALCs) of Adult Education and Training (AET) to the proposed institutional model for Post School Education and Training (PSET) [i.e. Community Education and Training Colleges (CET Colleges)] provided background information, noted the Discussion document *Adapting the NSF-ALCs to envisaged CET Colleges*, and outlined the scope of work, namely to:

- (a) analyse the current funding framework to determine whether it is effective in achieving the goals of attaining a skilled and capable workforce to support inclusive growth path;
- (b) consider and compare the advantages of other funding modalities of Community Colleges in other countries;
- (c) diagnose the relevance of the current funding approach in the light of all developments that have taken place, e.g. the new proposed Community Colleges taking into consideration other funding modalities globally, formula funding programme and funding of ABET level 1 to 4 learning areas and propose the most suitable preferable funding model;
- (d) align the NSF-ALCs to cater for funding of qualifications from National Qualifications Framework (NQF) levels 1 to 4 as proposed in the Further Education and Training (FET) Colleges Amendment Bill of 2012 (which implies that some TVET College programmes such as the National Certificate (Vocational) (NC(V)) and NATED Report 191 may be offered in Community Colleges);
- (e) examine the funding of other skills programmes from such as the National Skills Fund (NSF) or Sector Education and Training Authorities (SETAs);

- (f) determine the typical characteristics of Community Colleges with regard to performance, accountability, staff development, use of posts, payment of Community Learning Centres personnel, compensation of Council members, growth potential, etc.;
- (g) examine the funding of the different models of institutions as proposed by the Ministerial Task Team on Community Education and Training Centres;
- (h) investigate the offering of other types of vocational qualifications proposed in the report and determine cost implications thereof;
- (i) determine a measure on how to deal with poor performance by Community Colleges to avoid reducing enrolments which might have a negative effect on students who might already be from disadvantaged communities and may not have any recourse; and
- (j) conduct a study of the demographics of target groups (including particular age cohorts) and identify where new Community Colleges should be established and where dwindling enrolments suggest mergers.

The Committee was specifically asked to make recommendations on:

- (a) funding for distance education in Community Colleges (taking into account the low success rates for distance education and that therefore models of distance student support and high level contact technologies would need to be developed and funded (including, for example distance students with laptops and funding for connectivity);
- (b) the size of a Community College which would be economically viable whilst delivering optimum outcomes and consider the possibility of having Central/ Main colleges with satellites (that might require the rationalizing of centres and the provision of hostel accommodation (with its funding implications).
- (c) funding of special education needs (and the consideration of the different types of Community Colleges (and different funding models) to cater for this);
- (d) a funding mechanism for National Senior Certificate for Adults (NASCA) taking into account the challenges and cost implications of offering the NASCA at Community Colleges (including additional infrastructure costs such as laboratories as NASCA proposes physical science, computer science, life science, etc.);
- (e) conditions for granting subsidies or grants to Private Centres considering the draft conditions attached as Annexure F;
- (f) a different funding model for rural Community Colleges to be able to make such centres more economically viable as they are not likely to receive other forms of private funding; and
- (f) conduct research to better understand the cost implications regarding the expenses of Community College Council members incurred as part of their duties before making recommendations on how to regulate the remuneration of Community College council members via the funding norms, if their constitution or structure might differ from that of TVET Colleges.

The ministerial committee

The Committee comprised:

Dr Charles Sheppard (Chairperson) (Nelson Mandela Metropolitan University)

Professor John Aitchison (University of KwaZulu-Natal)

Professor Ahmed Bawa (Durban University of Technology)

Professor Peliwe Lolwana (University of the Witwatersrand)

Professor Kehla Ndlovu (Mangosuthu University of Technology)

Dr Gerald Ouma (University of Pretoria)

Professor Pundy Pillay (University of the Witwatersrand)

Professor Divya Singh (University of South Africa) (until 19 August 2015).

To fulfil the brief the Committee met on a regular basis and commissioned a number of pieces of research and writing from members of the Committee as well as field visits by them (and analysis of the results thereof) to a number of TVET Colleges and the former Public Adult Learning Centres.

Information Report and Appendixes

A full Information Report and Appendixes was also compiled with fuller details of the information and evidence presented in this report.

2. Economy and Education

It is well known that education in every sense is one of the fundamental factors of development. Education impacts on economic development through its effects on labour productivity, poverty, trade, technology, health, income distribution and family structure. Education provides a foundation for development, the groundwork on which much of our economic and social well-being is built.

Education's contribution to development depends, however, 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.

Post-School Education and Training (PSET) raises some important challenges for policy makers. Access and equity are at the top of these challenges. Second, there is a trade-off between quantity and quality. Third, there is the challenge of reaching a graduate mix that is compatible with labour market needs and national development.

Moreover, the challenge of changing the composition of outputs from the PSET system entails mobilising additional resources to PSET especially but not only in science and technology disciplines. Finally, there is another important challenge that calls for a balance between transmitting the information and skills needed for the labour market, fostering innovative and creative talents, and developing broad intellectual capacities among higher education students and graduates.

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. Moreover, one of the major constraints to the development of a manufacturing sector and a productive export strategy is the lack of "middle level" skills in terms of technicians of various kinds, welders, plumbers, etc.

Education and Economic Growth

The relationship between education and economic growth is a mutually reinforcing one. Education of the appropriate quality and quantity increases the productivity of labour because of its skills and knowledge enhancing roles. High and sustainable levels of economic growth, on the other hand, make possible greater investment in education and other social sectors because of the increased tax revenues that accrue to governments because of growth.

It is generally agreed that economic growth is a necessary (but not necessarily sufficient) condition for improvements in living standards and for enabling higher levels of investment inter alia, in education, health and innovation.

Researchers (see the *Information report* for details of research and researchers used here) have examined the relationship between education and economic growth in South Africa. By differentiating between 'tertiary education' (universities) and vocational education and training, they find that TVET graduates are "almost as likely to be employed as school leavers without post-school education. However, the conclusion from their analysis is that university education contributes to economic growth whilst other post-secondary education including TVET colleges "do not productively contribute to economic growth".

The research also shows that workers with formal education are replacing those with no education in occupations that are generally regarded as low skilled. However, this issue of “education inflation” has been frequently understated, and may even be happening at the higher end of the occupational spectrum. In a labour market with ever increasing numbers of young people with educational qualifications (not necessarily with skills and knowledge at a commensurate level), employers choose individuals with the highest levels of education available. So it is may not necessarily be a situation where university graduates are necessarily more skilled and productive than certificate holders but one in which a high degree of “filtering” or screening is taking place whereby employers are choosing those individuals whom they see as less costly in terms of ‘on-the-job’ training.

Inequality in Schooling, Higher Education and the Labour Market

Using cohorts of graduates from Rhodes and Fort Hare universities, recent research shows that the unemployment rate of 7% among Rhodes graduates corresponds with the national average for university graduates while the rate (20%) among Fort Hare graduates is almost three times higher.

Among graduates who are employed, there are some important differences in job search strategies which may explain some of the differences in labour market outcomes. The single most common way that Rhodes graduates found their current job was through personal contacts or networks (30%). Moreover, if the categories of ‘relatives’, ‘social media’ and ‘personal contacts’ are combined, then just under half of Rhodes graduates found their current employment through a social network. Fort Hare graduates, on the other hand, relied more on newspaper advertisements (36%) than on any other specific search strategy.

According to the authors, the results of this study are important for at least two reasons. First, the findings extend the existing work on degree or programme choice by suggesting that the completion of a first-choice degree is further conditioned by ‘pre-higher education’ factors such as school quality, race, gender and intended field of study. The analysis suggests that at least part of the preference gap is explained by poor schooling backgrounds and, by extension, a lack of adequate preparation for university study.

The implication is that schooling quality and low socio-economic status do not only have the expected impact on higher education access or performance but they are also clearly linked with study choices and employment. This suggests that poor quality of support interventions (e.g. career guidance) in the run-up to Grade 9 in under-resourced schools could have long-term negative effects, as can poor support for learners as they approach matric.

Second, the findings suggest that, while unemployment is far higher among Fort Hare graduates, at least some of the disadvantage is actually carried over from the type of schooling. The implication is therefore that interventions aimed at improving the employment prospects of graduates from Historically Black Universities (HBUs) should be targeted at university students from the low-quintile schools or, as already suggested, pupils from those schools who might qualify to attend university.

The analysis does not support the view that black African students (including those who are enrolled in HBUs) are more likely to enrol in subjects with poorer prospects for immediate employment. Moreover, the evidence from the eastern Cape universities does not suggest that

Humanities graduates are significantly more likely to be unemployed after controlling for other factors.

The final question the authors raise is whether the far higher rate of unemployment among Fort Hare graduates is really the result of the oversupply of certain skills or whether factors such as poor matching, poor signalling – including the effects of perceptions and preferences of prospective employers about graduates from HBUs such as Fort Hare or a lack of appropriate social networks in the labour market are much more relevant.

3. Post-school education and training as a Public Good

The benefits of providing education at higher levels and to all citizens are numerous. Besides the objective of developing mental and vocational capacities of individuals, a highly educated society also has many other benefits. Research has, for example, shown that educated societies are generally healthier and more tolerant. An educated society has more capacity for reasoned thought, and the nurturing of culture and scholarship.

There are social justice imperatives that drive the agenda for continuing to provide education even to those who have left the formal schooling system in any given society. In the context of South Africa, it means that the greater the proportion of the population that has completed secondary education and has acquired some skills to bargain with in the labour market, the better opportunities will be distributed in the population in general.

Concentrating all energies and resources on the trickling effects of a growing primary education system, does not seem to be getting us to a point where educational opportunities are being distributed fairly in our society. Also, putting most of our post-school education resources into the university system still means by-passing of millions of citizens who are not able to access universities. In order to equalise the opportunities given through educational access, much more effort must be put into the promotion of a completed senior secondary schooling with appropriate skilling and knowledge, and access to tertiary education. This is the 'missing middle' in our education and training system.

The recent Organisation for Economic Co-operation and Development (OECD) (2014) review of vocational education and training in South Africa also states that in most developed countries the majority of working people have acquired a post-secondary qualification, which might be one or two-year qualification after the completion of secondary school. Equality of opportunity is about levelling the playing field for everyone during key stages of life, and the last three years of schooling and beyond are vital to this exercise. A shift in the debate towards equality of opportunity in this area promises to be a better guide for public policy so that similar chances are given to all citizens. Education must be seen to be a public good for all.

The Five Principles of Action for PSET

The apartheid struggle in South Africa was not only an attempt to stop a crime against humanity but should be regarded as a war from which there are many casualties and veterans. As the years progress, these casualties are not being eliminated from the system. Instead the lack of attention to them has created a situation where there are parallel economies; the first and third world economies. Attempts to address adult education in the post-school education system have until recently put the focus on TVET colleges only, but even these institutions do not yet function optimally. Adult education of a more basic type remains lacklustre in spite of the Community College policy proposals.

It is no longer useful to view adult education in terms of literacy and adult basic education only. The debate about post-school education is synonymous with adult education in a broader sense in the country. It is synonymous because we know that the country has been providing universal education up to the 9th grade. This means that for a while, we have not

been having the problem of complete illiteracy with the new generation (however weak the actual reading, writing and numeracy competencies are). This means that we have a population in South Africa of up to the mid-forties in age who have gone to school, and at least completed between 8 and 9 years of education. The problem of complete illiteracy, where it exists, must be confined to a much older generation, and this issue has been largely addressed through the *Kha Ri Gude* adult literacy campaign. If this assumption is correct, it provides a guide for DHET on the population that requires the most education, and this profile can be described as being: between 16 and 45 and having between 8 and 9 years of basic education.

We believe that there are five principles that should inform the funding of a post-school system that would address the country's needs: access, diversification of programmes, articulation, differentiation of institutions, and capacity building.

Access

Whilst the major debate about TVET and Adult Education in industrialised countries tend to be about parity of esteem with general academic education acquired in schools, in South Africa it can be said that there is a distinct lack of visibility of the TVET system. Many people either do not know where to go to in order to develop the skills needed for the labour market or cannot afford to. Yet, lack of opportunity to develop one's skills presents a barrier in leveraging social mobility in any society as well as inability to exploit the gains already made through basic education. Access in the system will accelerate when the issues of spatial inequalities; expanded provisioning and financial constraints are removed.

Funding must be provided to increase access to the post-school system and make it available to all who want to participate by:

Increasing the infrastructure available in all communities by either putting up new buildings; auditing all public spaces that can accommodate learning and making use of or doubling the learning sessions in other institutions such as schools, TVET colleges and even universities; Ensuring that all communities can access the kind of programmes they need where they are, without having to move to urban areas; and ensuring that learners are not constrained by a lack of finance from accessing programmes of their choice.

Diversification of programmes

Appropriate programmes are needed in both the TVET and adult education and training (AET) sectors. The usefulness of such programmes will be decided by user demand, the currency of such programmes, and the credentialing system. The following seem to be the characteristics of an appropriate PSET for the country:

- § Completion of a high school qualification should be prioritized. Basic education is also synonymous with the completion of 12 years of schooling (not just nine). In addition, this is the most effective way of catching up on general education and learning skills for those who have been out of school for some time.
- § A vocational education qualification that has value in the labour market is important for this group. But, it is important to note that many in this group are unable to access this kind of education because of (i) the way it is packaged, (ii) the way it is delivered, (iii) the cost, and (iv) the geographical location of provision.

- \$ Many in this group require short courses in: (i) general education; (ii) vocational or skills development or upgrading; (iii) and personal development, rather than full qualifications that take too long to acquire.
- \$ Non-formal education which does not have to be examined should still be an important aspect of post-school education, and in particular in the community education and training institutions.
- \$ There is a strong case for expanding participation in PSET by what can be considered to be 'non-traditional' students. The only way this can be achieved is through an increase in the number of institutions that provide PSET. In practice this means increasing participation in colleges.
- \$ More post-high school qualification, e.g. short-cycle qualifications like Higher Certificates and Diplomas, which used to be offered by Technikons have largely disappeared from the system.
- \$ A funding model that stimulates the diversification of programmes in the system is sorely needed for both TVET and AET.

Articulation

When there are either no progression routes from one PSET sector to another or where they do exist but are extremely weak, no matter what goodwill there is in the system, both massification and differentiation will be rendered futile unless the key issue of articulation is appropriately addressed. The college system (TVET and CET) is currently structurally outside the "conventional" education system comprising schools and universities. As a result, participating in government sponsored programmes in TVET colleges, like the NC(V), is seen as a regressive move by many students. Attempts to align the TVET College system through the NQF have not really worked as this exercise did not really look inside what is being provided but merely created a framework within which the new qualifications were to be pegged. The weakness of this whole process is now felt through the illogical sequencing of courses that have no relationship to and do not take account of the knowledge requirements at different levels.

Articulation is an important concept in opening up access and ought to be an important lever in steering education, instead of being left to individual institutions and students. Programmes and institutional relations between TVET and CET institutions, as well as TVET and HE institutions must be funded. The most important key to articulation is about institutional relationships, and the following may help:

- \$ Funding a relationship between the TVET and CET institutions through space sharing; satellite campuses; and even merging some of these institutions;
- \$ Funding a relationship between the TVET colleges and the Universities of Technology through franchising and other means that would promote higher education in colleges; and
- \$ Allocating all funding for HE-TVET education partnerships to the TVET college budgets so as to incentivise the higher education institutions.

In summary, TVET colleges should be used as anchor institutions to foster these relationships and make it possible for programmes to overlap. Funding incentives will go a long way to make this happen.

Differentiation of institutions

One of the most common problems that occur when different institutions are expected to act within the same space is that they all adopt a single set of institutional characteristics within that system. Isomorphism is inevitable when a new type of institution enters the terrain as they will want to fashion themselves after the older ones. So, in this case it can be expected that the TVET colleges may want to fashion themselves on the university sector, and the Community Colleges on the TVET college system (a development unfortunately encouraged by the legislation which mechanically models them on TVET colleges). It is desirable that even though the two types of institutions co-exist within a single system, they must still maintain functional and organisational boundaries. Largely, the choices to be made here revolve around maximising the resources available in each sector for each institution, as well as being able to influence the direction and growth of each sector. Funding that incentivises differentiation will go a long way toward steering the system in the right direction.

Capacity building

The effectiveness of the whole system will hinge on the capacity that has been built over time to deliver what is needed for the population of South Africa. This means training of educators in both sectors as a starting point. The strength of the sector is as strong as its educators. Also, training funds must be available for all personnel in the system, whether it is for teaching, administration, or leadership, in order to have an effective system. The sector is sorely in need of research capability so that interventions are evidence-based. This capacity must be developed in the sector itself instead of relying solely on external capacity.

4. The Technical and Vocational Education and Training (TVET) Colleges

Prior to the 1980s, South Africa had a state system of technical schools and technical colleges. The technical colleges provided post-school vocational and occupational courses (the theory aspects of apprenticeship education and training). Some were also legally empowered to provide higher education. Over time some technical colleges also began to offer community courses. In 1967 an intermediate institutional type was legislated for, which changed some technical colleges into Colleges for Advanced Technical Education (CATE) that could provide higher education sector training and help lessen the shortage of skilled high level employees.

In 1979 the CATEs were renamed technikons and firmly placed within the higher education sector. It was recognised that there was a set of higher education qualifications provided by them that differed from those of universities and were more practically orientated. The development of polytechnics in the United Kingdom also influenced these changes.

The post-apartheid 1997 Higher Education Act recognised three types of institutions: universities, technikons and colleges as part of a differentiated higher education system. All qualifications would be aligned to a new National Qualifications Framework (NQF) and the Ministry of Education would approve the specific qualification programme mix at particular institutions. Although the Ministry of Education regarded the technikons as providing career-orientated diploma qualifications they were subsequently renamed Universities of Technology and they edged towards being “comprehensive universities”.

The *Further Education and Training White Paper* of 1998 heralded a nationally driven merger that by 2002 saw 150 colleges merge into 50 larger, multi-campus TVET colleges which had greater autonomy and delegated budgetary authority. The merger certainly addressed the historical legacy of the same districts having four or more parallel institutions that previously served the apartheid era “race” groups, and of the distinction between state and state-aided institutions, but it also led to the closure of smaller institutions that had operated (though sometimes not very well) in rural areas. The capacity to manage these larger merged colleges was, however, often lacking.

Subsequent reforms included the following:

- § recapitalisation of the Further Education and Training college sector between 2005 and 2008 that sought to address infrastructural, resource and capacity challenges;
- § legislation in 2006 that transferred the staff of FET colleges to employment by college councils; and
- § the provision of bursaries for college students through the National Student Financial Aid Scheme (NSFAS), and a new National Certificate (Vocational) NC(V).

Enrolments in the colleges expanded significantly and there were gradual signs of improved academic performance (though from a very low base).

Most recently control of these colleges has been transferred from being a provincial competence to a national one, with the process completed in the first quarter of 2015.

As part of the DHET's attempts to create a more coordinated post-school sector, the FET colleges were renamed Technical and Vocational Education and Training Colleges in 2014.

In 2011 the colleges were considered to be operating at only 75% of their student capacity with 300 000 students. In 2014 there were 349 580 FTEs (based on 702 000 enrolments). The TVET colleges are generally considered to be underperforming and to be burdened by under-prepared students, though current policy envisages their massive expansion to serve 1 250 000 students by 2030 or even more, according to DHET targets for 2030.

The TVET colleges currently focus on three types of programme offerings:

- § 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. The National Certificate: Vocational is offered in parallel to the school-based National Senior Certificate (NSC) which has a more “academic” focus. NC(V) 2 to 4 are equivalent to grades 10 to 12 respectively and correspond to NQF levels 2, 3 and 4. The NC(V) curriculum is structured to include 60% theory and 40% practical components in a particular vocational field. The practical experience may be offered in the workplace or in a simulated workplace environment. This feature has the advantage of giving students the opportunity to gain experience in the workplace during their studies. However, this qualification does not prepare students for immediate entry into the work place. 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.
- § 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-N6 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.
- § Occupational programmes offered by the Sector Education and Training Authorities (SETAs). These are typically skills based programmes with structured work integration.

The 2012 DHET Statistics show that the majority of College students (about 60%) are registered on the N1-N6 programmes and 40% on the NC(V) programmes.

As stated earlier, one of the key challenges of the South African TVET sub-system is the fact that currently there is no articulation between the TVET and any other education sector.

Historically, FET colleges had low throughput rates, inadequately qualified lecturers, insufficient industry-linked experience, and a limited programme qualification mix, with a lack of programmes relevant to local communities and industry. In many instances, examinations, assessment and financial management were also below average in quality. The

public TVET colleges system's target is an average student pass rate of 60 to 80%. Overall, of the 404 679 who wrote examinations in 2010, only 90 252 (or 22.3%) successfully completed a full qualification. In 2011, of the 126 491 who wrote examinations, only 51 790 (or 40.9%) successfully completed a full qualification. Despite increased overall participation at TVET colleges, the student completion rates are low and below the targeted range.

Prior to 1994, the bulk of government funding of colleges occurred through the post-provisioning model, which distributed educator posts from a central pool in each province to individual colleges on the basis of the number of full-time equivalent (FTE) students.

In the period 1994 to 2010, provinces, which receive the bulk of their revenue through an 'unconditional grant' or an "equitable" share of nationally-collected tax revenue, have complete autonomy in the use of these funds. Thus, there was some flexibility in how they allocated budgets to TVET colleges. However, this flexibility was lost following the move of TVET to the DHET. Funding for TVET colleges is now allocated in the form of programme subsidies and conditional grants, which during the period of the function shift to national control, was still channelled through provinces. This function shift was finalised in 2015.

Funding shortfalls need to be analysed both in terms of their general impact and in terms of their impact on certain provinces (already disadvantaged because of the previous funding allocation baselines per province being retained by DHET).

For 2012/2013, according to the DHET's enrolment plan, the total MTEF budget for FET college education should have been R5.989 billion. However, the actual allocation budget was R4.845 billion, made available through conditional grants, which is based on historical provincial allocations for FET college education, plus annual CPI adjustments. The projections for subsequent years show a declining trend in total allocations for the sector.

Clearly, funding of TVET colleges has been inequitable and insufficient. A fair distribution of funding would mean colleges receive equal rand values per weighted FTEs. Currently, the baseline used for the conditional grant reflects historical allocations to TVET college education, which were clearly too low in the Northern Cape, KwaZulu-Natal, Limpopo, Free State and North West provinces. However, redistributing the pool of available funding equitably to all provinces would disadvantage colleges in provinces where in the past more appropriate budgets were allocated to TVET colleges. A more acceptable way to rectify these imbalances would be to secure additional top-up funding, which could be channelled to the colleges in the provinces that were severely underfunded. When channelling additional funding to the sector, it is critical to ensure that the funds are spent effectively and efficiently. To this end, the fiscal governance and financial health of individual TVET colleges are absolutely essential.

Another issue that suggests changes to the funding formulae is that no allowance is made for whether colleges are urban or rural, large or small, or for the effectiveness of their throughput.

5. The Community Colleges and Community Learning Centres

The major development in the immediate post-apartheid dispensation was the creation of an Adult Basic Education and Training (ABET) system solidly wedded to new standards and outcomes-based educational policies and systems.

The introduction of Curriculum 2005 for school-going learners and the growing status of the National Qualifications Framework (NQF) led to a period of confusion, uncertainty, lack of direction, underfunding, low motivation and poor quality in many Public Adult Learning Centres (PALCs). Since 1994 numbers did not significantly increase in the formal state ABET system, and adults and out-of-school youth had been losing ground in obtaining Senior Certificate qualifications. It is unlikely that the number of attendees (including both genuine ABET learners and those studying at a grade 12 (Senior Certificate level)) have ever reached much more than 400,000 per annum and output has generally been poor.

Overall, it is the failure of the public adult education system that led to the recent policy decision to reorganise the Public Adult Learning Centres into clusters, as satellites of new community colleges.

In 2012, a Ministerial Task Team proposed a new institutional model including Community Colleges as district hubs for Community Learning Centres.

The actual proposals were as follows:

- \$ A network rather than a single 'new' institution
- \$ The network would be an integral part of the post school system
- \$ It would have two major components:
- \$ **Community Learning Centres (and their smaller satellites):**
(with the *Kha Ri Gude* literacy campaign infrastructure, matured into a national learning network (with some similarities to the Scandinavian study circles), linked to them
- \$ **Community Colleges** (within a differentiated college sector) as support hubs for the Community Learning Centres clustered around them)
- \$ Support from an Institute for Adult, Youth and Community Learning (not merely a sub-section of a TVET Institute)
- \$ Open, distance and e-learning components in all of these institutions.
- \$ There would be strong links to the TVET college system.
- \$ There might be a pilot phase in which the model was tested but the aim was for a community college in every district of the country.

The Task team saw the work of these Community College/Community Learning Centres as focusing on the following:

NQF level	Institution	Mission	Programmes
1 to 3	Community Learning Centres	First and second chance literacy and vocational	ABET, soft vocational skills, GETC, NASCA, some CLCs focus on hard vocational skills and NC(V), community and non-formal education, <i>Kha Ri Gude</i> learning network programmes
1 to 5	<i>Kha Ri Gude</i> Learning Network	Literacy and public education	Literacy, public and community education [Multi-ministry delivery]
4 to 5	Community colleges	First, second chance Senior Certificate. Vocational and occupational programmes	NASCA, NC(V), soft vocational skills, social learnerships, para-professional programmes, university bridging

The decision by this Committee to not recommend having “community colleges” as sub-sections of existing TVET colleges was based on the rationale that when adult education is tagged onto another system it is invariably neglected. Moreover, expecting weak and overloaded TVET colleges to take on the task of mothering a weak, understaffed and dysfunctional PALC system that served thoroughly under-prepared learners is an unrealistic and possibly unfair expectation. However, they would be expected to articulate with the TVET colleges.

In 2012 the *Green Paper for Post-School Education and Training* proposed Community Education and Training Centres as a replacement for the Public Adult Learning Centres.

Before the Task Team report was finalised or the White Paper published, the DHET legal advisor appraised the Task Team of a plan to rename all 3 000 or so PALCs as Community Colleges, and then immediately merge them into 9 (provincial/regional) ones. This was to give effect to the “function shift” of the PALCs from provincial to national control.

This function shift took place on 1 April 2015. Predictably there were administrative problems, particularly with payments to PALC staff, and it generally seemed that there was a great lack of clarity as to who was actually responsible for ongoing support to the PALCs, given that there were in fact no new community colleges (only nine nominal community colleges to act as “Community College Administrative Centres”).

Funding of adult education remains abysmal in both absolute and relative terms. Recent data on expenditure on adult education (in the form of funds transferred from provincial education departments to the PALCs) was R1.2 billion in 2010/11; R1.4 billion in 2011/12; R1.5 billion in 2012/13; and R1.7 billion for 2014/15 (about 4% of the entire state education budget). Despite some increase in total funding, the direct government transfer per learner decreased by 10% between 2010 and 2015.

It is clear that in terms of current policy and the realities of the function shift of state adult education provision from provinces to the national Department of Higher Education and Training that for the foreseeable future there will be no major development of new community colleges that could replace the existing PALCs spread around the country. There is therefore a need for funding that will in the interim enable them to continue their provision (and improve their quality).

Given the realities of the current inadequacies of the system it would seem to be necessary to gain for the CLCs an increased share of the national education budget. However, an increased budget would not be enough – the system demands new, visionary and effective management of provision – for without this there can be little hope of progress. Effective management teams are needed at both national and regional hubs with the capacity to ensure that the budget is deployed effectively.

An enhanced budget would need to cover the following components:

- < Salaries for educators and administrators (that would also take into account the need for more permanent, dedicated, adult education staff). There would have to be some allowance for considerable expansion of the FET component (Senior Certificate);
- < Salaries for the coordinating and support staff based at both central (Community College Administrative Centres) as well as in the proto community college nodes at district level (possibly linked with local TVET colleges) that would each deal with a cluster of nearby Community Learning Centres;
- < Serious curriculum and materials development (for at least a number of start-up years);
- < Materials production and distribution;
- < The GETCA and Amended Senior certificate/NASCA examination costs;
- < The setting up of an effective HETIS system and the procedures and regulations that would enable it to work;
- < Support for the existing providers of adult educator training (currently a few universities) to gear up for larger output and various forms of continuing in-service education and support for educators and administrators; and the piloting of new ideas.

6. Funding frameworks for TVET and Community Colleges: International review and South African system

The funding of education and training is underpinned by several important considerations, including the economic and social relevance of education and training; the inevitable budget constraints of government; and the division of the burden of payment between government on the one hand, and private households and business, on the other.

Funding frameworks and mechanisms for TVET

The financing of Technical and Vocational Education and Training (TVET) Colleges comes in various forms, namely, from public funding through, for example, the provision of grants to institutions and payment of teacher salaries, from students through the payment of tuition fees, from sectoral training funds, from private entities and donations, and from the so-called third stream income.

Funding mechanisms for TVET Colleges could be described as input-driven (based on enrolments and duration and nature of programmes), output-driven or performance-based (based on the outputs produced) or could encompass elements of both input and performance-based funding. Many countries use a mix of funding options as a result of historical and political developments.

UNESCO has advocated for financing mechanisms that can increase efficiency, stimulate the demand for TVET, and promote better outcomes by 'shifting the traditional input-based models to more performance-based financing ones. Overall, a key consideration for any funding system should be the efficiency of funding in terms of the ability to meet policy goals in a cost-effective manner.

Formula funding

Formula funding has several advantages, namely, fairness (the same set of rules applies to all institutions) and transparency. They are also administratively easier to apply. Once established, the application of the formula is straightforward.

Overall, funding mechanisms and models are not just instruments for allocating resources for given ends; more importantly, they are used as governance tools to steer the realization of important policy imperatives, for example, the production of skills that address the needs of the economy and that address the challenge of youth employability.

Training funds

These also constitute an important source of income for TVET colleges. Payroll training levies are the principal sources of financing for training funds. Levies can provide a steady and protected source of funding for training, particularly in the context of unstable public budgets. Sectoral, or industry-specific, training funds are an alternative to national (centralized) funding models. Sectoral levies are limited to a defined sector of the economy, such as industry or transport. A national system of sectoral funds offers the advantages of flexibility and the ability to focus more directly on sectoral training needs. They may be more

palatable to employers because of a sense of greater industry-specific orientation, less bureaucracy and greater sense of ownership. However, they do not facilitate redistributing funds across sectors or financing non-sector related skill priorities. Sectoral funds may duplicate efforts and fail to develop common core skills, transferable across industries.

Funding mechanisms of TVET Colleges in South Africa

Prior to 2010, provinces allocated budgets to TVET colleges through the provincial equitable share. In this system, the DHET allocated funds to the provinces and FET colleges based on the reported student enrolment and the related programme cost. Provinces then determined allocations to TVET colleges, and these allocations were adjusted annually by the consumer price index (CPIX). The main challenge with this system is that it was inequitable. The funding of TVET colleges depended on provincial allocations as opposed to standard criteria applied to all the colleges. In addition, provinces did not prioritise TVET equally in their budget allocations, which led to unequal participation rates in TVET colleges and in provinces.

According to the National Norms and Standards for Funding Further Education and Training Colleges, the current public funding mechanisms of TVET colleges consist of formula funding of programmes, earmarked capital funding and earmarked recurrent funding. Overall, it is estimated that the state funds 80% of the costs of college programmes, while learners are liable for the remaining 20% for which they can apply for financial aid (bursaries) from the National Student Financial Aid Scheme (NSFAS).

Formula funding is used to fund ministerial-approved programmes and is designed to promote transparency and comparability between provinces, predictability, equity through the provision of bursary funding to colleges for students who are academically capable but cannot afford to pay college fees, and quality and efficiency.

Formula funding of programmes is intended to cover the recurrent costs of delivering FET programmes, but also certain capital costs associated with those programmes, such as costs related to the replacement of the facilities and equipment used.

The National Norms and Standards for TVET Colleges envisage a programme-level costing formula to allocate funds to TVET colleges. Funding is supposed to be allocated by multiplying the assumed costs in the funding model per programme by the number of FTE enrolments in that programme.

Earmarked capital funding is designed to cover items not covered by the capital infrastructure portion of the funding base rate, mainly expansion of existing infrastructure or development of new infrastructure (new campuses) and infrastructure backlogs. This funding may take a variety of forms, for example, conditional grants in terms of the Division of Revenue Act, or matching grants involving joint investment with private sector. Earmarked recurrent funding is targeted at projects of a developmental nature such as staff development and development and implementation of computerised systems. The earmarked recurrent funding stream also covers inputs that are considered part of a basic minimum package of recurrent inputs required more or less equally by all colleges.

Sources of income for TVET colleges

TVET colleges in 2013 received a total of R9.1 billion in funding, with the largest portion of their funding from government sources (excluding some SETA funding).

A key change in college funding in recent times, is the substantial increase in the amount of student bursaries and loans provided by NSFAS, increasing from R0.3 billion in 2009 to R1.83 billion in 2013 in an attempt to increase access to the TVET sector. This has made TVET colleges even more reliant on public funding by reducing the proportion of funds received from privately-funded students for tuition, transport and accommodation.

Funding for Adult Learning

Subsidies, vouchers, individual learning accounts and tax instruments are the main mechanisms used to fund adult learning across various countries.

Subsidies

Several countries use direct subsidies to stimulate participation in adult learning by reducing the private costs of such training. In countries such as England, the subsidies are targeted at low skilled workers and consist of four elements:

- < Free or subsidised training to a basic skill or NVQ (National Vocational Qualification) level 2 qualification
- < Paid time off for training (funded for either 35 or 70 hours in total);
- < Wage compensation (paid to the employers for a total of 35 or 70 hours time off); and
- < Information, advice, and guidance to employers and employees.

Vouchers

In voucher funding systems, participants receive the entitlements and funding follows their choices. The most well-known voucher system is perhaps the GI Bill voucher delivery system of the United States of America (USA). Under the GI Bill, veterans of war are entitled to attend up to 45 months of education during a 10-year period after their active duty. They are entitled to receive an allowance if they attend an accredited schooling or training program. The allowance may be used either to meet the direct schooling costs or to cover costs of living.

Individual learning accounts

An individual learning account is an instrument that provides individual workers with an amount of money, to which the worker (employee), employer and third parties (for example, government) can pay a contribution in either time or money. It is a base amount of resources set aside for an individual to use for his or her learning. The main objective of ILAs is to give individuals more personal choice and ownership of their learning, and to stimulate individual motivation to engage in learning activities that would enhance workers' knowledge, skills and abilities that increase their human capital and employability. They can also be used to implement worker-centred methods to connect company needs to individual development needs and are an instrument of shifting choice and responsibility of institutions to the potential learner (from a supply to a demand approach). This funding mechanism has been applied in the Netherlands, England, Canada and Switzerland.

Tax instruments

Some countries subsidise training participation through tax instruments. This can be done either by allowing firms to deduct training expenditures from the tax bill, or to allow individuals (workers) to deduct their training expenditures from their income tax. As firms' training expenditures are part of their normal operation costs, firms will normally be allowed to deduct such costs from their tax bill. Countries such as the Netherlands, Japan, Chile and Canada have utilised this funding system.

5. Recommendations

A Proposed Funding Framework for Colleges

The Committee's recommendations arise out of its members' common judgement that the current funding frameworks are not optimum and are in many respects an obstacle to the implementation of constitutional and current government post school education and training policy imperatives.

For effective implementation a much more appropriate, diversified funding framework is required for Post-School Education and Training (PSET) including legislative, regulatory, policy and administrative changes. Our general and specific recommendations on these are outlined below.

The funding framework for PSET must encompass a broad range of provision including technical and vocational education, adult literacy, adult basic education, adult secondary education, and continuing education as well as various forms of non-formal education and training for youth and adults.

The purpose of the funding framework must be to increase access to an articulated, diverse and differentiated system of post-school education and training, quantitatively, qualitatively and geographically. It is a system that must be efficient, effective and accountable, taking into account the need for equity and development – that is, for social justice redress in society as well as to meet the skills needs and shortages. The growth of PSET must be related to the kind of society we desire and the associated institutions for such a society.

The funding framework must be such that funding is provided via a transparent process and with predictable outcomes.

The Committee recognises that its proposals and recommendations will require future work by technical task teams with much modelling and piloting for them to be successfully implemented (or where compelled by the evidence, discarded).

Increasing the national allocation for TVET and Community Colleges

It is evident that, in terms of both a proportion of the national education budget and as a percentage of GDP, that TVET and Community Colleges are grossly underfunded, especially in the light of the proposals in the *White Paper on Post-School Education and Training* and the *National Development Plan 2030*. At the present time the education budget is divided as follows: Schooling – 84%; Universities – 11%; TVET colleges – 4%; and Adult Education – 1%. Adult Basic Education is a constitutional right and demands urgent attention. The correct balance between TVET College and University funding needs to be addressed incrementally over an agreed upon time frame.

Recommendation 1: We propose that urgent attention be given to substantially increasing the funding for TVET and Community Colleges in the light of the serious underfunding at the present time and current shortfalls, given the value of these sub-sectors for economic and social development. The Committee does not want to prescribe a specific numerical increase in funding in either absolute or percentage terms but would like to stress the importance of paying urgent attention to the overall funding issue. Investment in the PSET sector needs to improve.

Whilst we understand that overall this might mean a major escalation in the size of the PSET budget, we hold strongly to the view that unless such a review is undertaken, most of other recommendations are largely pointless. We do recognise, however, that the increases would need to be phased in over several years. However, it is imperative that a start be made in this direction as a matter of urgency.

The Committee notes that the urgent response to the current *#Fees must fall* campaign is an indication of the extent to which university funding is prioritised politically at the expense of other sub-sectors such as TVET and Community Colleges because of the powerful lobbying power and interests in the university sector.

Funding components

Budgeting of necessity should provide for all the necessary components in an effective education and training systems such as academic and support (including academic support) staffing, educational materials, examination costs, information systems, career guidance, evaluation and research as well as capital equipment and broader infrastructure.

Recommendation 2: We would therefore argue for benchmarks for both TVET and Community College ministerial-approved programme-based budgets, such that staff costs should not exceed approximately 65% to 70% of the total budget, and that within the staffing budget, the ratio between teaching and support staff should generally not exceed 3:1.

TVET College specific recommendations

Quantity or quality – rewarding outputs

All education and training institutions have to find a happy medium between quantitative growth (students enrolment) and quality (low repetition and drop-out rates, and the output of competent graduates). Because of the immense pressure to massify the TVET college sector there is a danger that quantity will be valued above quality.

The Committee is of the opinion that in recent years TVET college quality has been compromised because of the pressure to increase enrolments without compensatory increases in staff and other resources. Provision must therefore be made to ensure qualitative improvements to meet labour market needs, even if it has to be at the expense of further increasing quantitative growth in enrolment. Indeed, as the reviewed literature indicates, current certification rates are abysmal. Currently learners in the TVET system graduate at an exorbitant per capita cost which is unsustainable. Moreover, the absorption rate of TVET graduates in the economy is also a cause of serious concern.

The performance-based funding framework works well in the university sector in South Africa and elsewhere. In the South African university sector there has been a significant improvement in success rates, throughputs and research outputs.

Recommendation 3: We recommend changing the funding mechanism for TVET colleges from the current system of “input-funding” to one based on both inputs and outputs. Initially we would argue for an 80:20 input-output mix. We suggest that up to 20% of the programme subsidy for year $n + 1$ be based on the throughput of year $n - 1$ (to allow for data collection).

Recommendation 4: The existing costing formulae needs updating both for programmes, courses and staff post provision. The current model based on the original KPMG report and

later PWC remodelling needs substantial revision, particularly with respect to the weighting for the NC(V) as compared to the occupational programmes. Programme costs should include the cost of examinations.

Recommendation 5: A technical team should be appointed to determine the details of future funding formulae that take into account all the possible variables, including: Funding based on FTE enrolment, funding based on differential programme costs, performance-based funding for student success, weighting for rural and disadvantaged areas, weighting for disability, infrastructure development and maintenance (including residences), staff development and academic support.

Recommendation 6: An enrolment plan for TVET colleges needs to be developed and linked to available funding provided in the Medium Term Expenditure Framework (MTEF). Such a plan would have to be in line with the new landscape for TVET and Community Colleges.

Recommendation 7: The DHET should also develop a long term plan for the college (say 5-7 years) to ensure the financial sustainability of colleges informed by agreed-upon enrolment plans.

Recommendation 8: Enrolments should be based on a five-year rolling plan and should include the projected growth in the number of graduates. The DHET should agree on the funded enrolments with each college for a period of at least three years should a college deviate significantly (say 5% or more) from the agreed-upon enrolment targets, the funded enrolments for the outer years of the rolling plan should be adjusted. The claw-back procedure should be abolished.

Recommendation 9: SETAs should 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 cost of repeating students that take longer than the normal time to complete, should be taken into account.

Recommendation 10: The National Skills Fund was established to provide training for the unemployed. The NSF should be used to fund such programmes in a set of colleges (say one or two per province) for a three year trial period.

Variable course costs

Recommendation 11: As in many other countries, funding formulae should take into account the variable costs of programmes and courses and the factors that disadvantage certain institutions and the students that populate them. A good example is the formulae used in the United Kingdom by the Education Funding Agency for Further Education Colleges, that takes these into account, as well as the variable cost factor scales used by the Skills Funding Agency. Rural colleges clearly need a funding adjustment through an additional weighting on the formula.

Capital expenditure, infrastructure refurbishment and ongoing maintenance

Recommendation 12: Given the expansion in the college system, serious attention needs to be given to new capital expenditure and refurbishment as student numbers rise, as well as the increased maintenance costs consequent on rising numbers. The maintenance situation (including the repair and updating of equipment) needs to be carefully monitored and funds for it specifically earmarked.

Inequality of funding between provinces

Currently TVET colleges in the different provinces are not funded equally according to the funding formulae. This is a historical anomaly carried over from the differential support given to the TVET colleges in each province in the past. This inequity must end but not at the cost of those provinces where the funding allocated is close to that predicted by the funding norms. The colleges that are underfunded must be brought up to the norm, without lowering the norm for all.

Recommendation 13: The post-function shift funding model for the TVET sector must ensure that baseline funding does not perpetuate past under funding of the colleges in certain provinces. Additional allocations must be used to achieve a more equitable funding regime across the provinces.

Bridging and foundation programmes for under-prepared students

In a perfect system no underprepared students enter TVET colleges. As South Africa is nowhere near such a state it is still necessary to remediate some of the failures of the school system. However unfortunate this cost is (and taxpayers will eventually balk at having to pay twice for the same service) it is a cost that must be carried for the foreseeable future

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.

Recommendation 14: Bridging and Foundation programmes must be developed to assist underprepared students who enter TVET colleges. These programmes must be 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.

Student support services

Student support, including career guidance, services are weak at TVET Colleges and the function is performed by the lecturers. There is a big need to strengthen the student support services to improve the quality of education and training. The functions that can be expected to be performed by student support units must be determined. The DHET Youth Development Support Directorate is currently looking at transforming the whole of student support services. There is a need to attend to both the academic and social needs of students.

Recommendation 15: Adequate student support services must be established in the colleges and earmarked recurrent funding needs to be allocated for this function.

Ensuring alignment between enrolment planning and funded workplace learning places

Currently the two TVET College programmes, NATED and NC(V), and Learnerships continue to be seen as alternatives to one another and not complementary components of a single learning pathway from school to work (as had been the case historically). The connection between “theory” and “workplace” remains disconnected. TVET funding is only allocated to the ministerial-approved programmes (NATED and NC(V)) without any funds allocated to the theory component of learnerships. Levy flows via the SETAs (for learnerships, internships, etc.) take the form of grants to an employer who is then required to secure the theoretical

learning from a provider of their choice (which may be a private provider or done in-house in the case of large employers).

The fact that the “theory” and “workplace” were not connected often led to the practical consequence for learners wanting to acquire trade qualifications of having to undergo nine years of publicly funded learning to train as an artisan (which used to take only three years) if the full route of Senior Certificate (3 years), NC(V) (three years) and an apprenticeship (3 years). This is a highly expensive route to a trade and is clearly sub-optimal for a system that wants to massify.

In order to bring ‘theory’ and ‘workplace’ back together again, it is necessary to look for ways to get the fiscus (which funds the theory) and the levy (which funds the workplace training) to work together. To do this the disbursement of the one should be conditional on the disbursement of the other for those programmes that require a workplace learning component for completion. This includes all the QCTO qualifications (and hence all the trades) but can also equally apply to shorter programmes or even skills programmes that require workplace learning. The key constraint for most learners and colleges is the access to workplaces.

Recommendation 16: “Theory” and “workplace” need to be linked again. The long-term (5 years) and short term (1 year) planning cycles of SETAs must be sequenced. SETAs should start the initiative by inviting 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.

Recommendation 17: 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.

Recommendation 18: The allocation of the levy grant is a condition for the allocation of the fiscal allocation to the college.

Community College specific recommendations

Historically, the state adult education and training system has been of very low quality with very weak output. This is unacceptable and it is pointless expanding such a system. Given the current mode of operation and with the available funding, it is simply not amenable to performance improvement. Whatever the political imperative for the expansion of provision, rapid expansion should be curtailed until overall quality has improved, and such expansion is capable of sustaining quality. That said, it is also recognised that adult education and training provision is less capable of a linear massive expansion and improvement in qualitative excellence compared to schooling because of the vagaries of voluntary adult participation. What is required is a steady process of reform and incremental growth. Because of inadequate planning for the function shift of the PALCs to the national government and the absence of actual community colleges, a proper holding operation and a new community college implementation plan is in any case needed before significant expansion can take place.

Legislation

It is clear from the international literature and from the current problems of applying essentially TVET college legislation to a different type of institutional model – namely, the community college and community learning centres – that separate and comprehensive legislation is necessary for adult and community education and training.

The drafting of such legislation would only be possible if effective conceptualisation has taken place on the nature and characteristics of Community Colleges and their governance, functions, and potential activities (including performance, accountability, staff development, use of posts, payment of Community Learning Centre personnel, compensation of Council members, growth potential and viable size(s)).

Recommendation 19: Once a sound conceptual model of the Community College is developed it should be piloted and then a comprehensive Adult and Community Education and Training Act developed (which is not simply a clone of the legislation relating to Technical and Vocational Education and Training Colleges.)

Structural reform and funding

The Committee is of the view that the transition from the Public Adult Learning Centres run by provincial education departments to being clustered into groups of satellite Community Learning Centres around a Community College support hub in each district of the country has not happened, was poorly planned, and is actually incapable of implementation in the short term, mainly, but not only, because of the low level of funding.

The Committee believes that the funding of the Community College system needs to be disaggregated into first, a holding operation with some modest reforms for the ex-PALCs linked to the regional Community College Administrative Hubs, and second, the realistic costing and funding of a set of community college pilot projects (also making use of private sector and not-for-profit facilities and support as well as donor funding) in specially targeted districts with appropriate demographics, with targeting to be done along similar lines to the 2013 Gauteng Department of Education audit of PALCs.

Establishing “a new institutional form”, the community college, requires a dedicated high level support team which can develop and monitor an implementation plan and simultaneously undertake the necessary demographic and demand analyses to justify investment in community colleges, which are expected to serve two distinct groups, namely adult learners and youth.

Current state provision invests almost exclusively on two formal qualifications, the GETC and the Grade 12 “Amended” Senior Certificate. It is not clear that this focus is of much use to older learners. There is also as yet no investment in high quality English and Mathematics foundation or bridging courses.

Recommendation 20: Community Colleges should move towards a much more community oriented rather than school-based approach. There should be no admission criteria ensuring access to all who want to attend.

Recommendation 21: There needs to be a framework for institutional growth with due attention being paid to the need for considerable funding for the effective development of this sector, as well as attention being paid to more effective use of existing infrastructure and to its expansion.

Recommendation 22: Communities, local government bodies, and local civil society bodies must be involved in the conceptualization and development of the local colleges, including enrolment planning and the qualifications and programmes that should be offered, all within the context of the development of the regions where the college is based.

Recommendation 23: A dedicated high-level Community College development support team should be set up to develop and monitor the implementation plans for each new Community College and simultaneously undertake the necessary demographic and demand analyses to justify investment in community colleges in those particular localities.

Setting the level of funding

Recommendation 24: It is recommended that the overall budget be increased as fast as possible to at least 3% of the national education budget as an interim measure and that certain percentages of the budget be ring fenced for a minimum set of resources: personnel costs (including coordination), curriculum and materials, maintenance and monitoring and evaluation. Given the dearth of materials, materials development should be a priority in the initial year or two. Building the capacity of the institutions to handle an increase in funding needs to be factored in.

Use of public and private facilities

Recommendation 25: Given the low likelihood of massive funding for new infrastructure in the near future, it should be incumbent on the state to encourage optimum use of spare capacity in all public college and university facilities that can be made available for reasonable regulated use by the adult and community education system and that private non-profit facilities also be used on fair contractual terms. In addition, DHET should commence a process of negotiations with municipalities across the country to identify available facilities for this purpose. The South African Local Government Association could be a useful ally in this regard. There is also considerable scope for the use of schools that have closed down.

Linkage to and incorporation of the *Kha Ri Gude* adult literacy network

The *Kha Ri Gude* adult literacy campaign's network was a clear success and its simple but elegant structure was a most cost-effective means of delivery. Whilst it is understandable that the campaign would necessarily have an end point, it would be sensible to make use of this structure and system and database as part of the community college/community learning centre system.

Recommendation 26: The *Kha Ri Gude* structure should be incorporated into the Community College system and a plan for this should be developed.

Common recommendations for both TVET and Community College

Funding predictability

It is clear that a major source of instability in the TVET and Community College sectors is the unpredictability of funding. Such unpredictability was emphasised in much of the evidence presented to the Committee that TVET colleges were not receiving the full quantum of what they calculated were supposed to receive in terms of the current funding norms. The result was

that Colleges were forced to have in effect two budget processes, the one based on the existing programme funding norms and the other based on the approved budgets which over the period 2013 to 2017 had shortfalls that rose from 19% to 47% per annum.

With regard to the PALCs, it is also evident from the recent past that provinces arbitrarily changed annual budgets, and in some cases, prior to the function shift, put operational budgets on hold.

Recommendation 27: Whilst we recognise that the national education and training budget, like other departmental or provincial budgets, is subject to a number of factors, such as economic growth and tax revenues, it is nevertheless critical for spending agencies to have a degree of certainty or predictability with respect to their budgets based on a long-term enrolment plan (and the associated staff compensation budget).

Increased funding for programme differentiation and diversity

More differentiation and diversity of provision and institutions is needed both within and between TVET colleges and Community colleges (with their Community Learning Centres and satellites). This would require more legislative and governance adjustments. However, to be avoided, in multi-campus colleges, is unwarranted over-specialisation by campus that has the effect of raising travelling obstacles for students. This is needed to forge a more diverse college system including TVET colleges, community colleges, and other institutional forms. Such a framework must enhance the possibility of genuine and easy articulation and transfer of students between colleges and higher education institutions.

For Community colleges there is the laudable idea of “curriculum development from below”, encouragement of non-formal courses responding to local community needs, and entrepreneurial building partnerships at the local level. This will however, be impossible unless there is some budgetary allowance to support these at the college level.

Recommendation 28: Funding for programme diversification is necessary, both for the so-called ministerial-approved programmes (currently two in TVET and the two (or potentially three) in Community colleges) and via a generic “other vocational, occupational and non-formal programmes” funding category.

A better overall institutional framework of coordination and articulation

There is a clear need for a more diverse college system including TVET colleges, community colleges and other institutional forms. Such a framework must enhance the possibility of genuine and easy articulation and transfer of students between colleges and higher education institutions.

Recommendation 29: A better overall institutional framework for coordination and for the easy articulation and transfer of students between TVET and Community Colleges and higher education institutions should be developed.

Programme offerings at TVET and Community Colleges

There are several types of programme differentiation that will need to be looked at.

Recommendation 30: Although a genuine diversity of programmes is needed, only a manageable set of key qualifications should receive major state funding. Programmes need to be manageable both in terms of funding and conceptually so that student understanding and choice of the appropriate qualification for a particular career path is made easy.

Recommendation 31: The extent to which Colleges may cross-subsidise so-called “non-ministerial” programmes needs to be regulated. The crucial factor here is whether the cross-subsidised programmes complement the subsidised programmes.

Recommendation 32: There is a need over time to differentiate between TVET college programmes and Community College programmes. It would be pointless to duplicate programmes when they are likely to be better delivered in one of the institutions, although there is no obvious way, at this stage, to determine what would be better dealt with where. It may also well be the case that a process of organic growth will be best for the Community colleges as they develop.

Recommendation 33: There needs to be a more rational system of funding fully state funded and endorsed programmes that are fit for purpose. It is clear from our investigations that decisions in TVET colleges regarding the NC(V) and NATED programmes are often made, not in terms of their fitness for labour market purpose (whether national, regional or local) but on the basis of cost, enrolment increases, available staff, etc. It is also clear that good professional and skills courses that deliver also need funding as appropriate.

Both the TVET and Community colleges need the ability to change their institutional trajectory and, where appropriate, also offer NQF level 5 programmes (Higher Certificates) and level 6 programmes (Diplomas). We note the policy change that will see the re-entry of technical training at schools which will have the effect of moving provision in TVET Colleges up the NQF levels. In due course, the concept of two year (Associate) degrees (as in the North American community college system) should be explored. At the same time, issues of developing a really workable credit transfer system to universities would need to be expeditiously resolved.

Recommendation 34: The issue of Higher Education qualifications being taught at TVET and Community Colleges needs to be more carefully looked at (particularly in relation to Higher Certificates and Diplomas) and most important, ensuring that Higher Certificates do articulate with further qualifications in Higher Education institutions and fair credit transfer is allowed for. A workable credit system to universities needs to be expeditiously resolved.

Recommendation 35: The real costs of remediating the failures in the school system and not having the TVET colleges clogged with unprepared students, have to be faced up to. If the Community Colleges are expected to do this their funding (and general capacity) will have to reach a much higher dimension. [See also Recommendations 14 and 15.]

Recommendation 36: The possibility of having some specialised TVET colleges (as shaped by the South African national and regional contexts) as a way of rationalising scarce resources also needs to be examined (as will the cost of providing residential accommodation for students).

Recommendation 37: The National Senior Certificate for Adults (NASCA) is registered as a qualification and will be implemented in 2018/2019. NASCA should be delivered in flexible modes to ensure that adults can participate in them, including those already working. Subject to the necessary constraints of costs and the integrity of the examinations, flexible assessment should be made available so that an individual can enter and write these examinations throughout the year to ensure that the system becomes much more efficient and effective.

Course materials development

For both the TVET and ACET sectors, it is clear that there is a dire lack of well-designed instructional materials for learners and manuals for staff (whether in print, delivered via in-house ICT services or online). In the PALCs this lack was catastrophic. In the case of the Kha Ri Gude literacy campaign, the excellent materials were crucial to its success. Without appropriate study materials much of the other investment is simply wasted.

Recommendation 38: For the next five years there should be a substantial budget for the research and development of first class study materials, including those delivered via ICT means, especially for the community colleges.

Distance Education

Distance education in its traditional form is not an ideal mode for underprepared students. Nor is it an ideal mode for TVET College students because of the large practical component in their studies. However modern distance education and in particular that supported by advanced eLearning technology and open access materials should be explored cautiously. It must never be considered as a cheap quick fix option. Distance education needs heightened student support. These cautions do not mean that there is not a need for very carefully designed self-study materials, both print and electronic. Courses delivered by distance education and flexible modes of study should be funded according to an appropriately adjusted but fair formula. Subsidy of distance education students is normally between 40% and 50% of that for contact mode students.

Recommendation 39: The Committee is of the opinion that open and distance education for the TVET and ACET sectors should only be explored with some caution at this time due to the under-preparedness of the majority of students and the current poor levels of performance in the sector.

Tuition fees

The portion of what can be expected to be paid by tuition fees has tended to increase in recent times (an example from England it was now 12% of revenue, for United States of America community colleges overall it is 30%). Recommending a benchmark figure on what percentage of revenue should come from fees is legitimate. Currently in South Africa it is about 20%. Some central and state governments regulate the fee structures (taking into account the funding, budgets and track records of the institutions). For public literacy and adult basic education programmes in many countries there are no fees (such as in Brazil where there are no fees for any public education). In the United States of America though in 1998 a previous restriction on states charging fees for adult education services was abolished, most programmes remain free. In South Africa the correlation between poverty and illiteracy and under education is so clear that charging fees should be discouraged. At the same time it must be recognised that better qualifications are a powerful engine for social mobility (and particularly in the case of university degrees, give a tremendous 'cash value' return to the holder).

in our consultations with institutions and students it became clear that there are major dysfunctionalities in the disbursement of both tuition and accommodation, travel and subsistence grants. Unless this situation is rectified, the expected efficiency and equity gains envisaged will not come to fruition.

Recommendation 40: The Committee considers that fees are an important income stream for TVET Colleges. Students that can afford tuition should pay fees. Students with academic potential should not be excluded because they cannot afford fees (therefore there is a need for an ongoing student fees support mechanism).

Recommendation 41: The Committee is of the opinion that the Community Colleges which will serve the poor and disadvantaged should not charge fees for formal programmes. These should be fully funded by the state with possible contributions by local authorities and the private sector.

Recommendation 42: In the event in a national move to a fees free situation, as the NSFAS allocations to TVET colleges are grants and not loans, it is recommended that the share of NSFAS earmarked for these colleges should become part of the baseline funding of TVET colleges with provisioning made in the subsidy for transport and accommodation allowances under the same conditions currently in the regulations for the bursaries. The funding for transport and accommodation allowances should be earmarked and the size of the allocation should be based on the criteria for eligibility and the availability of funds.

Special needs

Recommendation 43: Special education needs in TVET and Community Colleges should be catered for and funded by adding an additional weight to the FTE calculations. The current weightings for special needs students are regarded as acceptable although the criteria for what counts as “special needs” requires refining and rigorous application.

Addressing the needs of indigent students

Recommendation 44: The provision of living allowances for indigent students should be introduced with a sense of urgency, but be linked to performance. Poor students need more financial support particularly in the case of those from rural areas.

Student hostels

In principle, TVET and Community Colleges should enable access to students within reasonable travel distances, though in some cases, local travel support may be needed. Expenditure on residences would therefore not be a priority. However, there may be a need for hostels in rural areas, especially where transport services cannot be provided. Hostels may be needed for centres of specialisation or where various forms of artisan training attracts students from a wider geographical area. This may therefore require some TVET Colleges to consider making available hostel accommodation for their students to ensure that their success and graduation rates improves substantially.

Recommendation 45: Student residences may not be a high priority at this stage but, if deemed essential, should be funded through separate earmarked capital grant (as is the case currently with universities) 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 be needed here also.

Accurate data for a functional HETIS

Accurate data in a functional HETIS (that addresses planning, funding, monitoring and research needs) is an essential requirement for an effective system. The fair and accurate division of funding needs to be based on accurate, reliable and timeous data. The inadequate as well as

unreliable data for the existing Public Adult Learning Centre system are a huge problem both for the review as well as the future planning of the new Community College system and need to be addressed as a matter of urgency. Although there are data available for TVET colleges, there are a number of shortcomings. It is also important that SETA databases be linked to TVET College ones. This EMIS development work needs to involve all the necessary stakeholders to ensure the real functionality of the developed system.

It would be useful to have a learner record database available at national level.

Recommendation 46: An improved EMIS needs to be developed and maintained for both the TVET and Community Colleges which should preferably be unit record databases with the functionality of calculating accurate full-time equivalent enrolments. Funding will have to be allocated for the development of proper management information systems.

Subsidizing private colleges

Recommendation 47: A set of strict criteria should be set for the granting of student grants for study in private colleges where, in cases of national needs and priorities, particularly in specialised areas and to address the provision of scarce skills, the public TVET or Community colleges lack the capacity to enable potential learners to access these forms of PSET.

Staffing and conditions of service

The staffing conditions in TVET and Community Colleges are characterised by inconsistencies in the conditions of service, lack of policy on the appointment of educators and a large proportion of contract appointments, a limited pool of qualified candidates, and few incentives for working in isolated areas (including a lack of staff accommodation in rural Colleges).

Recommendation 48: A staff provisioning model and policy must be developed based on full-time equivalent enrolments and ensures a hybrid of permanent and contract employees for both sectors. This model must take into account incentives to attract and retain qualified personnel, particularly in rural areas, and the need for ongoing staff capacity development.

Compensation of college council members

Recommendation 49: The payments to Council members, apart from those who are already in state employ, for meeting attendance, should be set at the standard hourly or daily rates and should be capped at an annual maximum amount (to prevent an unnecessary proliferation of Council meetings and site visits as a way of gaining income). The rates set by DHET for TVET colleges on the basis of Treasury regulations on an annual basis are reasonable and appropriate.

Educator, trainer and researcher development

It is common knowledge that the development of adult educators, trainers and researchers has been sorely neglected, particularly since the closure of many previously excellent university centres and non-governmental organisations that had specialised in this field.

Recommendation 50: Universities and other roleplayers need to be encouraged to restore the capacity for the training of adult educators and the updating of curriculums as well to increase their capacity to develop TVET college lecturers and researchers.

Management and staff development needs

The development of strong management capacity in both TVET and Community Colleges is a necessity. Currently it is common cause that management is weak in the Community College/Community Learning Centres system and many TVET colleges have been hampered by management failures and in matters of fiscal governance, so much so that several have been put under administration or threatened so. Colleges also need to budget for internal staff development, given its known positive effects, and to plan for lecturer replacement while they are attending training.

Recommendation 51: 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.

Recommendation 52: Intervention should be made to improve fiscal governance in TVET Colleges and to prepare for it in Community Colleges, including recruitment of appropriate skills, ongoing training, and credible financial systems and processes.

College reserves and surpluses

Recommendation 53: Colleges should retain surpluses generated from programmes for use by the institution. Surrendering such funds to the DHET would represent a disincentive to efficiency and effectiveness and for developing and implementing new programmes and courses. College reserves should therefore not be tampered with. Large educational institutions need reserves – however, they should be accountable to the DHET to how they use such funds.

Monitoring the financial health of colleges

Recommendation 54: Sound funding systems and uniform templates for financial reporting, designed in a manner that ensures that the DHET can proactively monitor the financial health of TVET and CET colleges, must be developed in the interests of the institutions themselves.

Monitoring, evaluation and research

It is common cause that monitoring, evaluation and research have not been prioritised or capacitated within the TVET college or state adult education system. All colleges need to have a “knowledge project” related to the regional, district and municipal situational demands. Clearly the lack of research capacity has to change, without diminishing the role that universities have to play in researching the sector.

Recommendation 55: There should be a relatively autonomous monitoring, evaluation and research component at both college and national levels that, separated in function and control, would ensure the collection, analysis and interpretation of accurate data on the implementation, learning outputs and impacts of the TVET colleges, SETAs and the Community colleges.

Role of universities in training and research

Historically it has been South African universities that have played a role in researching TVET and adult and community education and providing for the training of practitioners in recognised teaching qualifications. Universities should assist in the setting up of Community Colleges and co-operate with TVET Colleges to strengthen them too.

In the case of adult education virtually all research and practitioners development has been done by universities. What capacity remains needs to be revitalised and rebuilt, particularly in certain provinces, after decades of decline.

The rapid development and expansion of the TVET and the Adult and Community Education and Training sectors is both an opportunity for research and a demand for it. To maintain the integrity of what is intended to be a massive education and training intervention it is important that its processes and output are subjected to rigorous research.

Recommendation 56: The Committee believes that those universities in South Africa that still have some adult education research capacity should play a significant role in researching adult and community education and training, in materials development and in the preparation of educators (in collaboration with the South African Institute for Vocational and Continuing Education and Training (SAIVCET)). (See also Recommendation 50)

Recommendation 57: A programme of recruitment (of both full-time and part-time researchers) should be undertaken in both the TVET and CET sectors. Universities collaborating in support of these sectors will also be asked to steer promising research students into undertaking research studies on TVET and ACET. It is also assumed that the SAIVCET will play a pivotal role here.

Recommendation 58: In both TVET colleges and Community colleges, internal research capacity needs to be built in the long term, and this needs to be provided for by a way of a percentage of the overall funding.

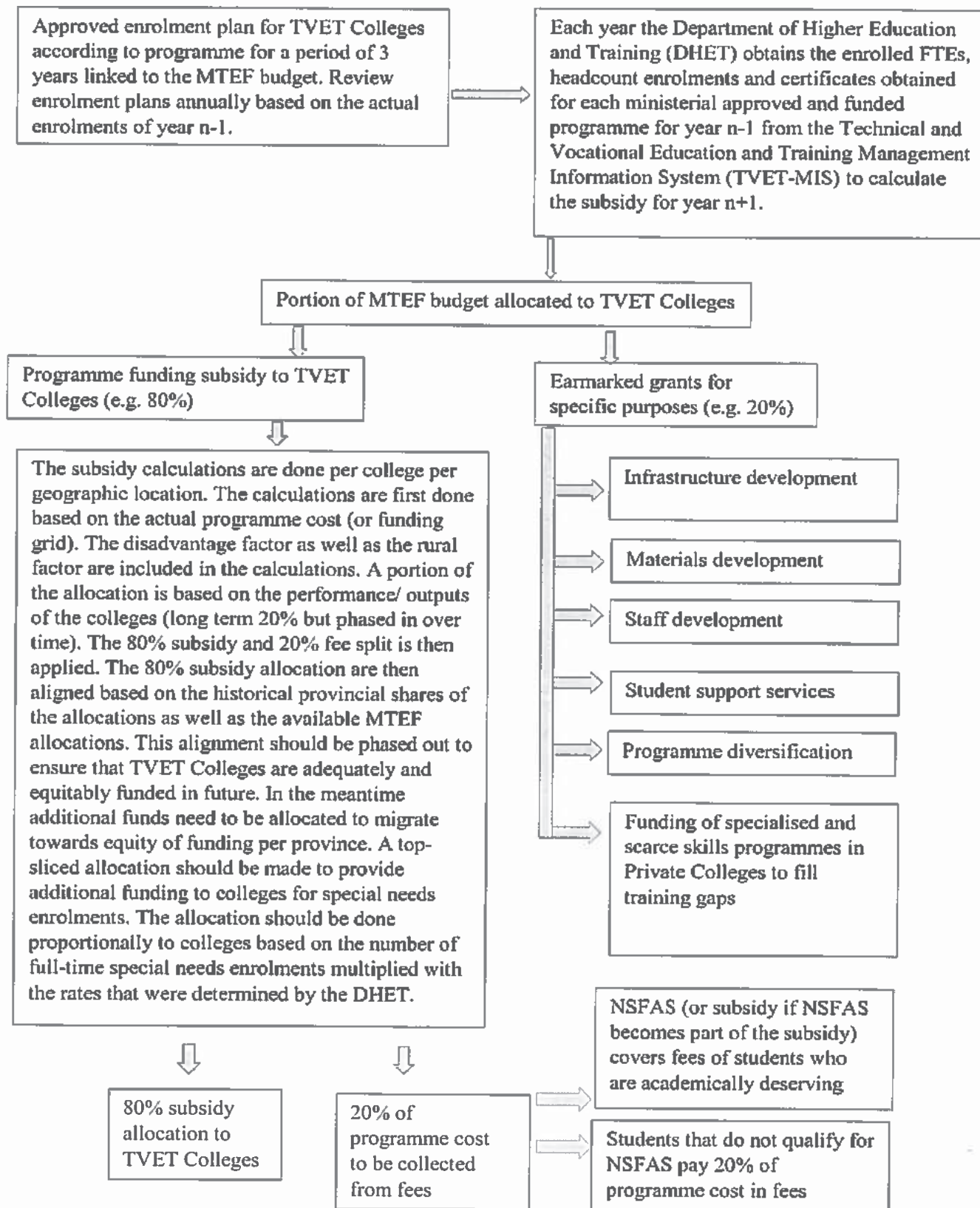
Appendix 1: Towards a funding formula for the TVET Colleges

Introductory note

It is important to note that it is not feasible to develop a formula for allocation to TVET Colleges that will encompass all the components and principles embedded in the Ministerial Committee's recommendations. Certain components such as the programme subsidy can be allocated based on a formula, which has been illustrated in the following section by the principle of weighted FTEs. The funding allocations are rather presented as a framework in a flow diagramme format with an indication of principles for allocation. Decisions need to be made with regard to amounts allocated for performance/ outputs as well as amounts set aside for earmarked grants for specific purposes. It is advisable that a model of allocation be developed that will over time introduce those recommendations accepted by the Minister.

The introduction of each component must be modelled to establish the impact on each TVET College and should be introduced stepwise to ensure that the system is not destabilised. It is important that additional funding will have to be allocated for the introduction of earmarked grants and the eradication of differences in provincial allocations per weighted full-time equivalents. Some of the recommendations such as the shift in provincial allocations based on the differences in growth in full-time equivalents as demonstrated below should however be introduced as a matter of urgency.

Funding for TVET Colleges



Enrolment planning

The colleges should stay within 5% of the enrolment plan targets to avoid the deflation of the rand value of the full-time equivalents (FTEs) per programme and or to avoid over-funding (under-enrolment) for a particular college. These enrolment targets could provide indicative subsidy allocations for colleges.

TVET Management Information System (TVET-MIS)

- a) It is vital that the DHET develop an appropriate EMIS to ensure that the DHET can make improved and enhanced subsidy calculations and that the DHET can monitor the efficiency and performance of the system.
- b) DHET must involve a wide range of role players in the design and development of a **unit record database system**. The design and development must include the strategic and enrolment planners, financial staff, curriculum developers, physical planners, internal and external researchers, TVET college staff as well as representative bodies to ensure that the DHET develop a comprehensive database that will serve the needs of all the role players in the sector. DHET must establish a process/ structure that revisit the database design on a regular basis to ensure that it remains relevant and serve the needs of the various role players.
- c) One of the recommendations is that performance/outputs must become the basis for a portion of the programme funding allocation and it is thus vital that the certification numbers and rates of colleges must be available.

Subsidy Calculations

- a) If a college did not deviate more than 5% from the planned **enrolment targets**, the DHET should fund the college based on all the enrolled FTEs.
- b) 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. It would be preferable if the TVET Colleges implement a credit system for programmes where each subject has a credit value depending on its weight in the curriculum. This would create a system for much more accurate calculations of FTE values and subsidy.
- c) If the **enrolments deviate** more than 5% from the target, the DHET must adjust the enrolment targets for year $n+1$.
- d) If the college's enrolments were more than 5% under the enrolment targets for the year $n-1$ the targets for year $n+1$ must be adjusted down. It does mean that a college could have received subsidy for a year for enrolments it did not achieve but this is rectified by adjusting the enrolment targets for the outer year on a continuous basis. The clawback mechanism should be abolished to provide more budget predictability for colleges.
- e) Depending on the totals for the system, as well as available funding, if a college enrolled more than a 5% deviation from the target the target could be increased for year $n+1$.
- f) If the system totals and funding do not allow it, the DHET must leave the target for year $n+1$ as is and the college must manage their enrolments for year $n+1$ within this target range.
- g) If there is not 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.
- h) The **subsidy allocation** for year $n+1$ is thus based on the enrolment target for year $n+1$, but the achievement of the enrolment target for year $n-1$ might affect the **enrolment target** for year $n+1$.
- i) The current (2017) relative **funding weights** of the NC(V) and NATED programmes are given in Tables 1 and 2 below.

Table 1 – Current funding weights of the NC(V) programmes based on the lowest cost NC(V) programme (Office Administration)

NC(V) Programme Name	Cost according to the TVET funding norms and standards	Funding Weight
Civil Engineering and Building Construction L2 - L4	60 833	1.5678
Drawing Office Practice L2 - L4	44 561	1.1484
Electrical Infrastructure Construction L2 - L4	60 025	1.5470
Engineering and Related Design L2 - L4	78 392	2.0204
Mechatronics L2 - L4	79 434	2.0472
Process Instrumentation L2 - L4	59 636	1.5370
Process Plant Operations L2 - L4	60 869	1.5687
Finance Economics and Accounting L2 - L4	43 417	1.1190
Management L2 - L4	45 454	1.1715
Hospitality L2 - L4	73 739	1.9004
IT and Computer Science L2 - L4	59 469	1.5327
Education and Development L2 - L4	42 179	1.0871
Marketing L2 - L4	38 926	1.0032
Office Administration L2 - L4	38 801	1.0000
Primary Agriculture L2 - L4	104 249	2.6868
Tourism L2 - L4	56 405	1.4537
Safety in Society L2 - L4	39 772	1.0250
Transport and Logistics L2 - L4	40 688	1.0486
Primary Health L2 - L4	48 987	1.2625

Table 2 – Current funding weights of the Report 191 (NATED) programmes based on the lowest cost NC(V) programme (Office Administration)

Report 191 (NATED) Programme Name	Cost according to the TVET funding norms and standards	Funding Weight
Engineering Studies N1 - N3	23 896	0.6159
Engineering Studies N4 - N6	27 877	0.7185
Business Management N4 - N6	23 603	0.6083
Financial Management N4 - N6	23 603	0.6083
Human Resource Management N4 - N6	23 603	0.6083
Introductory Business Studies N4	23 603	0.6083
Introductory Clothing Production N4	32 768	0.8445
Management Assistant N4 - N6	23 603	0.6083
Marketing Management N4 - N6	23 603	0.6083
Public Management N4 - N6	23 603	0.6083
Public Relations N4 - N6	23 603	0.6083
Popular Music: Performance N4 - N6	38 231	0.9853
Art and Design N4 - N6	38 231	0.9853
Clothing Production N4 - N6	32 768	0.8445
Educare N4 - N6	28 673	0.7390
Farming Management N4 - N6	38 231	0.9853
Hospitality and Catering Services N4 - N6	53 249	1.3724
Interior Decorating N4 - N6	38 231	0.9853
Introductory Art and Design N4	38 231	0.9853
Introductory Food Services N4	53 249	1.3724
Legal Secretary N4 - N6	32 768	0.8445
Medical Secretary N4	38 231	0.9853
Tourism N4 - N6	51 884	1.3372
Note: The NATED programmes are weighted against the lowest NC(V) programme cost (which is currently Office Administration) to be able to calculate comparable weighted full-time equivalents for each College independent of the mix of NC(V) and NATED enrolments.		

- j) 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 approximately 20% of the allocation but to ensure financial stability it could be phased in over a period of time (perhaps ten years).
- k) 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.
- l) 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 benchmark against urban cost. Rural colleges will also attract more disadvantaged students that will require more student support to be successful. The DHET has made the following classifications of the TVET Colleges based on the population density. There would probably have to be a weight for semi-rural (e.g. 5% additional unweighted FTEs) well as rural (e.g. 10% 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.

Table 3 – Urban/Rural classification of TVET Colleges

Province	College Name	Classification
Eastern Cape	Buffalo City TVET College	Urban
	East Cape Midlands TVET College	Urban
	Ikhala TVET College	Rural
	Ingwe TVET College	Rural
	King Hintsa TVET College	Rural
	King Sabata Dalindyebo TVET College	Rural
	Lovedale TVET College	Rural
	Port Elizabeth TVET College	Urban
Free State	Flavius Mareka	Urban
	Goldfields TVET College	Urban
	Maluti TVET College	Semi-rural
	Motheo TVET College	Semi-rural
Gauteng	Central Johannesburg TVET College	Urban
	Ekurhuleni East TVET College	Urban
	Ekurhuleni West College	Urban
	Sedibeng TVET College	Urban
	South West TVET College	Urban
	Tshwane North TVET College	Urban
	Tshwane South TVET College	Urban
	Western College TVET	Semi-rural
KwaZulu-Natal	Coastal TVET College (Mobeni)	Urban
	Elangeni TVET College	Urban
	Esayidi TVET College	Rural
	Majuba TVET College	Urban
	Mnambithi TVET College	Semi-rural
	Mthashana TVET College	Rural
	Thekwini TVET College	Urban
	Umfolozo TVET College	Rural
	Umgungundlovu TVET College	Urban
Limpopo	Capricorn TVET College	Urban
	Lephalale TVET College	Rural
	Letaba TVET College	Rural
	Mopani South East TVET College	Rural
	Sekhukhune TVET College	Rural
	Vhembe TVET College	Rural
	Waterberg TVET College	Rural

Mpumalanga	Ehlanzeni TVET College	Rural
	Gert Sibande TVET College	Semi-rural
	Nkangala TVET College	Urban
Northern Cape	Northern Cape Rural TVET College	Rural
	Northern Cape Urban TVET College	Urban
North West	Orbit TVET College	Semi-rural
	Taletso TVET College	Rural
	Vuselela TVET College	Urban
Western Cape	Boland TVET College	Semi-rural
	College of Cape Town TVET College	Urban
	False Bay TVET College	Urban
	Northlink TVET College	Urban
	South Cape TVET College	Semi-rural
	West Coast TVET College	Rural

- m) A top slice grant should be allocated for additional funding for students with **special needs**. The amount needed could be calculated on the basis of the indicative additional cost per special needs education student for NC(V) and Report 191 programmes for the 2017 to 2019 MTEF period as given in Table 4. Once such a grant has been established it should be distributed to Colleges based on the number and mix of students with special education needs.

Table 4 – 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
NC(V) programmes					
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			
Report 191 (NATED) programmes					
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 handicap is severe and requires an additional staff member.					

Table 5 – Total number of learners with special education needs - 2017

Disability	Headcounts	As % of total Special Needs learners
Communication(talk/listen)	5	0.1%
Disabled but unspecified	3 087	74.5%
Emotional (behavioural/psychological)	84	2.0%
Hearing (even with hearing aid)	127	3.1%
Intellectual (learn, etc.)	85	2.1%
Multiple	61	1.5%
None now - was Sight	2	0.0%
Physical (move/stand, etc.)	192	4.6%
Sight (even with glasses)	505	12.2%
Total reported SNE Students	4 148	100.0%
<i>Total reported SNE Students</i>	<i>4 148</i>	<i>1.3%</i>
<i>None</i>	<i>325 065</i>	<i>98.7%</i>
Grand Total	329 211	100.0%

- n) The practice for 2017/18 was that a calculation was made of the amount from the subsidy allocated should be earmarked for SNE students based on the total number of special needs students based on the maximum amount of R45,389.00. It was not an additional allocation but a guideline of how much money should be spent on SNE students from their budget based on the numbers provided. This is problematic since it is not additional funds (which is a result of the high levels of under funding currently) and it also does not distinguish between categories of special needs. Furthermore 74% of the special needs was unspecified which makes the exercise basically futile. Some of the variables are also to open for interpretation such as "Sight (even with glasses)". This could not have meant all students wearing glasses but rather students that have severe problems with sight that impact on their ability to gain adequately from mainstream education. The statistics for some of the Colleges appear to have been any student wearing glasses. Before any additional grant for SNE students can be implemented these definitions will have to be sharpened and a data verification mechanism will have to be put in place.

- o) The need for addressing the **unequal funding of TVET Colleges in the provinces** is demonstrated in the analysis done in Tables 6.1 to 6.5. In order to arrive at comparable data there is a need to first ensure that the varying cost in offering the various Programme Qualification Mixes (PQMs) are taken into consideration. The specific government funded programmes a particular FET College offer as well as the full-time equivalent enrolments in each programme determine the cost to the College. This is done by calculating a funding weight for each programme in relation to the lowest cost NC(V) which is the NC(V) in Office Administration. The funding weight of this programme is taken as the base with a funding weight of 1.000. The funding weights of all the other NC(V) as well as Report 191 (NATED) programmes is determined in relation to the cost of this programme by dividing their cost by the cost of the NC(V) in Office Administration (See Tables 6.1 and 6.2). The full-time equivalent enrolments in each programme is then multiplied by this funding weight to calculate the weighted full-time equivalent (WFTE) enrolments (known as teaching input units in the university system) (See Tables 6.3 and 6.4). This weighting ensures that the PQM mix as well as the full-time equivalent enrolments in each programme with its different cost structure is taken into account.

Dividing the total provincial allocation by the total weighted FTEs for NC(V) and Report 191 (NATED) gives the allocation per weighted FTE for each province which then provides a comparison of the level of funding per province. Dividing the total allocation for all provinces by the total weighted FTEs for all provinces give the average allocation for the TVET sector per weighted FTE. The deviations from the average for both the financial years 2017/18 and 2013/14 are shown in Table 6.5.

The following trends can be observed:

- In 2013/14 the Eastern Cape had the highest allocation per WFTE (R6,073.76 above the average), but this has changed to the Western Cape in 2017/18 (R7,647.69 above the average).
- The Free State remained above the average for both years although the amount above the average became smaller (R1,585.90 above the average in 2017/18 compared to R3,174.17 in 2013/14).
- Allocations in Gauteng deteriorated from R2,400.94 above the average per weighted FTE in 2013/14 to –R199.33 below the average in 2017/18.
- The KwaZulu-Natal allocations improved considerably over this period. In 2013/14 the allocation per WFTE was –R3,826.69 below the average, which increased to R1,629.22 above the average in 2017/18.
- The Limpopo allocations remained the lowest in both these financial years (–R4,733.75 below average in 2013/14 and –R7,905.10 below the average in 2017/18). The Mpumalanga allocations deteriorated from R2,093.53 above the average in 2013/14 to –R1,619.28 below the average in 2017/18.
- Allocations per WFTE in the Northern Cape improved considerably from –R4,036.12 below the average in 2013/14 to R1,854.57 above the average in 2017/18.

- In North West the allocations stayed below the average but improved from (– R3,047.28 in 2013/14 to –R665.40 in 2017/18).
- The Western Cape allocations improved considerably from R2,729.60 above the average in 2013/14 to R7,647.69 above the average in 2017/18.

These variations reflect the historical levels of resourcing in provinces. Because the current allocations are based on historical allocations by provinces, the changes in the patterns shown over the period 2013/14 to 2017/18 must also be a reflection of variance in enrolment growth in the various programmes with different funding weights between provinces. This is shown in the changes in percentage shares of the total weighted FTEs over the period 2013/14 to 2017/18 by province in Table 6.6. Over time these differences need to be eradicated from additional funding allocations. When this has been achieved, colleges should be treated individually and not grouped per province. An immediate improvement in the fairness of allocations would be to start adjusting for the differences in growth in weighted FTEs per province per annum.

Table 6.1 – Full-time equivalent enrolments used for the 2017 subsidy allocations to TVET Colleges: NC(V) programmes

Programmes	Cost according to the TVET funding norms and standards	Funding Weight	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	Total
Civil Engineering and Building Construction L2 - L4	60 833	1.5678	1 580	473	1 637	2 213	2 322	667	96	571	295	9 854
Drawing Office Practice L2 - L4	44 561	1.1484	0	23	42	0	130	0	0	0	0	225
Electrical Infrastructure Construction L2 - L4	60 025	1.5470	1 989	625	3 655	2 815	2 744	1 785	185	1 368	1 427	16 593
Engineering and Related Design L2 - L4	78 392	2.0204	1 610	639	4 574	2 770	3 371	1 505	414	797	1 378	17 058
Mechatronics L2 - L4	79 434	2.0472	235	0	474	0	160	84	0	0	41	994
Process Instrumentation L2 - L4	59 636	1.5370	0	0	0	0	0	0	0	0	0	0
Process Plant Operations L2 - L4	60 869	1.5687	0	0	102	200	200	0	0	0	0	502
Finance Economics and Accounting L2 - L4	43 417	1.1190	1 831	469	1 797	1 099	1 594	917	130	562	524	8 923
Management L2 - L4	45 454	1.1715	782	260	1 686	150	1 284	1 004	69	758	533	6 526
Hospitality L2 - L4	73 739	1.9404	1 079	489	1 789	2 135	1 321	481	65	496	867	8 722
IT and Computer Science L2 - L4	59 469	1.5327	1 158	343	1 801	1 085	1 420	158	10	597	714	7 286
Education and Development L2 - L4	42 179	1.0871	512	295	276	879	430	90	1	0	377	2 860
Marketing L2 - L4	38 926	1.0032	1 222	463	2 184	209	1 479	527	0	35	321	6 440
Office Administration L2 - L4	38 801	1.0000	3 898	1 768	4 487	5 148	3 537	2 593	735	2 238	2 964	27 368
Primary Agriculture L2 - L4	104 249	2.6868	380	280	167	1 364	1 015	713	0	281	19	4 219
Tourism L2 - L4	56 405	1.4537	1 632	381	1 776	1 963	1 560	90	90	345	1 080	8 917
Safety in Society L2 - L4	39 772	1.0250	1 092	99	885	831	372	0	95	0	1 344	4 718
Transport and Logistics L2 - L4	40 688	1.0486	74	90	708	622	561	184	0	210	214	2 663
Primary Health L2 - L4	48 987	1.2625	120	245	589	85	452	225	90	249	431	2 586
Total NC(V)			19 194	6 942	28 759	23 569	23 952	11 023	1 980	8 507	12 529	136 455

Source: Calculations based on 2017 subsidy information for TVET Colleges provided by the DHET

Table 6.2 – Full-time equivalent enrolments used for the 2017 subsidy allocations to TVET Colleges: Report 191 (NATED)

Programmes	Cost according to the TVET funding norms standards	Funding Weight	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	Total
Engineering Studies N1 - N3	23 896	0.6159	3 818	1 042	13 397	5 881	6 587	3 478	979	2 059	4 104	43 345
Engineering Studies N4 - N6	27 877	0.7185	1 532	1 628	7 006	3 075	3 701	1 521	49	1 134	1 132	20 776
Business Management N4 - N6	23 603	0.6083	1 732	1 847	2 362	2 938	1 529	470	0	799	2 193	13 809
Financial Management N4 - N6	23 603	0.6083	1 052	895	2 979	2 611	1 154	930	205	418	764	10 805
Human Resource Management N4 - N6	23 603	0.6083	2 238	1 829	2 879	2 460	2 297	530	580	993	1 306	15 110
Introductory Business Studies N4	23 603	0.6083	176	275	1 268	65	270	249	35	0	90	2 428
Introductory Clothing Production N4	32 768	0.8445	0	8	94	18	0	0	0	0	92	212
Management Assistant N4 - N6	23 603	0.6083	1 357	1 734	4 359	1 563	1 690	1 128	802	2 001	2 004	16 637
Marketing Management N4 - N6	23 603	0.6083	776	881	2 351	338	1 162	123	158	329	705	6 820
Public Management N4 - N6	23 603	0.6083	1 820	188	1 524	2 223	1 143	516	597	0	688	8 697
Public Relations N4 - N6	23 603	0.6083	417	0	156	210	0	0	0	0	169	952
Popular Music: Performance N4 - N6	38 231	0.9853	0	0	45	0	0	0	0	18	0	63
Art and Design N4 - N6	38 231	0.9853	102	51	306	80	0	0	0	15	181	734
Clothing Production N4 - N6	32 768	0.8445	0	24	181	39	110	0	0	0	184	537
Educare N4 - N6	28 673	0.7390	232	1 750	1 465	783	355	0	0	123	1 324	6 030
Farming Management N4 - N6	38 231	0.9853	408	0	0	561	550	0	0	0	172	1 791
Hospitality and Catering Services N4 - N6	53 249	1.3724	198	196	1 252	607	233	120	0	70	710	3 385
Interior Decorating N4 - N6	38 231	0.9853	38	0	0	0	0	0	0	0	0	38
Introductory Art and Design N4	38 231	0.9853	45	36	32	85	0	0	0	0	75	273
Introductory Food Services N4	53 249	1.3724	0	0	20	0	0	0	0	0	0	20
Legal Secretary N4 - N6	32 768	0.8445	45	0	182	354	0	0	0	0	0	581
Medical Secretary N4	38 231	0.9853	0	0	0	24	0	24	24	0	0	72
Tourism N4 - N6	51 884	1.3372	255	209	1 184	1 199	278	200	0	213	757	4 294
Total Report 191 (NATED)			16 237	14 390	43 039	25 211	21 056	9 289	3 427	8 170	16 647	157 464

Source: Calculations based on 2017 subsidy information for TVET Colleges provided by the DHET.

Table 6.3 – Weighted full-time equivalent enrolments used for the 2017 subsidy allocations to TVET Colleges: NC(V) programmes

Programmes	Cost according to the TVET funding norms and standards	Funding Weight	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	Total
Civil Engineering and Building Construction L2 - L4	60 833	1.5678	2 477	742	2 567	3 469	3 640	1 046	151	895	463	15 449
Drawing Office Practice L2 - L4	44 561	1.1484	0	26	83	0	149	0	0	0	0	258
Electrical Infrastructure Construction L2 - L4	60 025	1.5470	3 077	967	5 654	4 355	4 245	2 761	286	2 116	2 208	25 670
Engineering and Related Design L2 - L4	78 392	2.0204	3 253	1 291	9 241	5 596	6 811	3 041	836	1 610	2 784	34 462
Mechatronics L2 - L4	79 434	2.0472	481	0	970	0	328	172	0	0	84	2 035
Process Instrumentation L2 - L4	59 636	1.5370	0	0	0	0	0	0	0	0	0	0
Process Plant Operations L2 - L4	60 869	1.5687	0	0	160	314	314	0	0	0	0	788
Finance Economics and Accounting L2 - L4	43 417	1.1190	2 049	525	2 011	1 230	1 784	1 026	145	629	586	9 985
Management L2 - L4	45 454	1.1715	916	305	1 975	176	1 504	1 176	81	888	624	7 645
Hospitality L2 - L4	73 739	1.9004	2 051	929	3 400	4 058	2 510	914	124	943	1 648	16 576
IT and Computer Science L2 - L4	59 469	1.5327	1 775	526	2 760	1 663	2 176	242	15	915	1 094	11 167
Education and Development L2 - L4	42 179	1.0871	557	321	300	956	467	98	1	0	410	3 109
Marketing L2 - L4	38 926	1.0032	1 226	464	2 191	210	1 484	529	0	35	322	6 461
Office Administration L2 - L4	38 801	1.0000	3 898	1 768	4 487	5 148	3 537	2 593	735	2 238	2 964	27 368
Primary Agriculture L2 - L4	104 249	2.6868	1 021	752	449	3 664	2 727	1 916	0	755	51	11 335
Tourism L2 - L4	56 405	1.4537	2 372	654	2 582	2 854	2 268	131	131	502	1 570	12 963
Safety in Society L2 - L4	39 772	1.0250	1 119	101	907	852	381	0	97	0	1 378	4 836
Transport and Logistics L2 - L4	40 688	1.0486	78	94	742	652	588	193	0	220	224	2 793
Primary Health L2 - L4	48 987	1.2625	152	309	870	107	571	284	114	314	544	3 265
Total NC(V)			26 501	9 675	41 349	35 303	35 485	16 121	2 716	12 060	16 954	196 164

Source: Calculations based on Table 6.1

Table 6.4 – Weighted full-time equivalent enrolments used for the 2017 subsidy allocations to TVET Colleges: Report 191 (NATED)

Programmes	Cost according to the TVET funding norms and standards	Funding Weight	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	Total
Engineering Studies N1 - N3	23 896	0.6159	2 352	1 873	8 251	3 622	4 057	2 142	603	1 268	2 527	26 695
Engineering Studies N4 - N6	27 877	0.7185	1 100	1 169	5 033	2 209	2 639	1 093	35	814	814	14 927
Business Management N4 - N6	23 603	0.6083	1 054	1 123	1 437	1 787	930	286	0	486	1 334	8 436
Financial Management N4 - N6	23 603	0.6083	640	422	1 812	1 588	702	566	124	254	465	6 573
Human Resource Management N4 - N6	23 603	0.6083	1 361	1 113	1 751	1 496	1 397	322	333	604	794	9 192
Introductory Business Studies N4	23 603	0.6083	1 07	167	771	40	164	151	21	0	55	1 477
Introductory Clothing Production N4	32 768	0.8445	0	7	79	15	0	0	0	0	78	179
Management Assistant N4 - N6	23 603	0.6083	825	1 055	2 652	951	1 038	686	488	1 217	1 219	10 120
Marketing Management N4 - N6	23 603	0.6083	472	536	1 430	205	707	75	96	200	429	4 149
Public Management N4 - N6	23 603	0.6083	1 107	1 114	927	1 352	695	314	363	0	418	5 290
Public Relations N4 - N6	23 603	0.6083	254	0	95	128	0	0	0	0	103	579
Popular Music: Performance N4 - N6	38 231	0.9853	0	0	44	0	0	0	0	17	0	62
Art and Design N4 - N6	38 231	0.9853	100	50	302	78	0	0	0	15	178	723
Clothing Production N4 - N6	32 768	0.8445	0	20	153	33	92	0	0	0	155	454
Educare N4 - N6	28 673	0.7390	171	1 293	1 082	579	262	0	0	91	978	4 456
Farming Management N4 - N6	38 231	0.9853	402	0	0	651	542	0	0	0	169	1 765
Hospitality and Catering Services N4 - N6	53 249	1.3724	271	269	1 718	832	319	165	0	96	974	4 645
Interior Decorating N4 - N6	38 231	0.9853	37	0	0	0	0	0	0	0	0	37
Introductory Art and Design N4	38 231	0.9853	44	35	32	84	0	0	0	0	74	269
Introductory Food Services N4	53 249	1.3724	0	0	27	0	0	0	0	0	0	27
Legal Secretary N4 - N6	32 768	0.8445	38	0	153	299	0	0	0	0	0	490
Medical Secretary N4	38 231	0.9853	0	0	0	24	0	24	24	0	0	71
Tourism N4 - N6	51 884	1.3372	341	279	1 583	1 603	371	267	0	285	1 012	5 741
Total Report 191 (NATED)			10 675	9 527	29 332	17 576	13 925	6 091	2 107	5 347	11 776	106 355

Source: Source: Calculations based on Table 6.2.

Table 6.5 – Differences in funding per weighted full-time equivalent by province for the 2017/18 funding year compared to the 2013/14 funding year

Province	80% Programme funds 2017/18	20% NSFAS Bursaries 2017/18	Total Allocation 2017/18	Total Weighted FTEs for NC(V) and Report 191 (NATED) 2017/18	Allocation per weighted FTE 2017/18	Deviation from average 2017/18	Deviation from Average in 2013/14
Eastern Cape	970 397 203.68	185 651 386.20	1 156 048 589.88	35 452	32 609.08	3 017.27	6 073.76
Free State	451 660 900.01	120 656 330.20	572 317 230.21	18 311	31 254.84	1 663.02	3 174.17
Gauteng	1 599 249 082.73	381 242 365.00	1 980 491 447.73	67 403	29 382.79	2 09.02	2 400.49
KwaZulu-Natal	1 213 358 552.86	365 006 191.20	1 578 364 744.06	50 427	31 300.26	1 708.45	-3 826.69
Limpopo	773 894 218.17	229 834 841.60	1 003 729 059.77	47 118	21 302.27	-8 289.55	-4 733.75
Mpumalanga	485 442 387.91	105 398 489.00	590 840 876.91	21 182	27 893.78	-1 698.03	2 093.53
Northern Cape	109 791 910.46	35 246 635.20	145 038 545.66	4 599	31 536.57	1 944.76	-4 036.12
North West	369 128 421.98	110 515 294.40	479 643 716.38	16 600	28 894.05	-697.76	-3 047.28
Western Cape	844 637 824.18	185 807 652.80	1 030 445 476.98	27 397	37 611.43	8 019.61	2 729.60
Total	6 817 560 502.00	1 719 359 185.60	8 536 919 687.60	288 489	29 591.81	0.00	0.00

Sources: Calculations based on the 2017 subsidy information for TVET Colleges provided by the DHET.

Sheppard, C. and Ntenga, L. (2014). *Funding of the South African Further Education and Training Sector for an Equitable Sharing of National Revenue*, In: Financial and Fiscal Commission (2014/2015). *Technical Report Submission for the Division of Revenue*, (p 261).

Table 6.6 – Changes in percentage shares of the total weighted FTEs by province 2013/14 to 2017/18 financial years

Province	Total Weighted FTEs for NC(V) and Report 191 (NATED) 2017/18	% of Total WFTE in 2017/18	Total Weighted FTEs for NC(V) and Report 191 (NATED) 2013/14	% of Total WFTE in 2013/14	Change 2013/14 to 2017/18
Eastern Cape	37 176	12.3%	29 261	11.0%	1%
Free State	19 202	6.3%	15 223	6.0%	0%
Gauteng	70 681	23.4%	55 056	21.0%	2%
KwaZulu-Natal	52 879	17.5%	57 156	22.0%	-5%
Limpopo	49 410	16.3%	38 284	15.0%	1%
Mpumalanga	22 212	7.3%	16 958	7.0%	0%
Northern Cape	4 823	1.6%	5 278	2.0%	0%
North West	17 407	5.8%	16 633	6.0%	0%
Western Cape	28 730	9.5%	28 659	11.0%	-2%
Total	302 519	100%	262 508	100%	0%

p) The earmarked grants should be allocated as follows:

- i. Infrastructure development should be allocated on a project basis addressing national priority areas as well as need.**
- ii. Materials development needs to be done at a national level on a project basis.**
- iii. Staff development funds must be allocated on the basis of number of staff that needs training as well as the cost of training.**
- iv. Student support services can be allocated on the basis of full-time equivalents of government funded programmes**
- v. Programme diversification should 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.**
- vi. Funding of specialised and scarce skills programmes in private colleges to fill training gaps will have to be done on the basis of need as well as full-time equivalent enrolments in the identified programmes offered at the identified colleges.**

Appendix 2: Towards a funding formula for Community Colleges

A preliminary caution

It is acknowledged that there is a challenge in determining a funding formula options for Community Colleges when it is still not finalised what types of programmes will be offered other than the ABET levels 1-4 and actual Community Colleges hav still to be developed.

The previous and current situation

Previously there were three budgets for the Community Colleges/Community Learning Centres:

- **Running the adult education and training system** (currently this is the old Public Adult Learning Centres, now renamed Community Learning Centres and administered by nine “Administrative and Management Centres” that took over (or are in the process of taking over) the role previously performed by the Directorates for Adult Education and Training in the Provincial Education Departments. These “Administrative and Management Centres” have had Principals appointed as if they were actual local Community Colleges):

In April 2014 the Minister of Higher Education and Training established the first nine (9) CETCs as Administrative and Management Centres for the 3 276 former Public Adult Learning Centres (PALCs)

(Department of Higher Education and Training, 2016, p. 227)

- **Piloting Community Colleges** (none as yet)
- **Earmarked grants** for materials development and MIS system development ((though in reality this was largely for conventional general school education).

Currently some 95% of funds are spent on staff.

Changing the funding allocation

There are three documents that give some guidance on future staffing and provisioning norms for the new Community College system:

Department of Higher Education and Training. 2016. *Draft policy on staffing norms for Community Education and Training (CET) Colleges*. *Government Gazette*, No. 40021, 27 May 2016, pp. 220-238

Department of Higher Education and Training. 2016. *Community education and training national roadshows. Mediation of the draft staffing norms for CET colleges*. August 2016. DHET presentation.

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Government Gazette Staatskoerant

REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID AFRIKA

Vol. 627

1 September 2017
September

No. 41082

PART 3 OF 5

N.B. The Government Printing Works will not be held responsible for the quality of "Hard Copies" or "Electronic Files" submitted for publication purposes

ISSN 1682-5843



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Department of Higher Education and Training. 2017. *Post provisioning norms for CET colleges: distribution model*. DHET presentation.

The *Draft policy* document of 2016 states (p. 229) that:

The Compensation of employees' budget shall be capped at 75% of the total budget; of which 80% is allocated for lecturing staff and 20% for support services. This translates to a ratio of 1: 0.75."¹

Taking the proposals in this draft policy results in a percentage breakdown as follows:

100%			
75% STAFF			25% OTHER
60% Academic (80%) (i.e. professional staff)	15% Support (20%) (i.e. other management and support)	10% Goods and services	15% Other other
76% Post level 3			
20% Post level 2			
4% Post level 1			
45% Community Learning Centres (CLCs)	15% Admin. & Mgt Centres	11.25 % CLCs	3.75 % Adm. hub

What is immediately clear about the allocation breakdown shown in this table on the allocation breakdown is that, though it might be reasonable for a future situation when there are 50 or more actual local community colleges and where the majority of professional staff work on a central campus, for the present (and foreseeable future) when all the actual educational delivery is through the Community Learning Centres and satellites, spending only 45% of the total budget on professional staff operating in these latter delivery sites seems absurd.

There are two ways this problem can be rectified:

Either:

The staff of the Community College are staff of the Community College regardless of whether they are based at a central site or at a Community Learning Centre. An adjustment can be made to the weighting of total costs on the basis of the number of Community Learning Centres attached to each Community College/Administrative and Management Centre.

Or:

Until the Community College sector is more developed, separate allocations (and funding formulae) are developed for:

¹ If this means the ratio of staffing to other expenditure, the ratio of 1:0.75 is incorrect, it is 1:0.33 or 3:1. If it is the ratio within the staffing budget the ratio is not 1:0.75 but 1:0.25 or 4:1.

- the Administrative and Management Centres (the nine) (who currently have no learners at all)
- the nine sets of Community Learning Centres attached to these nine administrative hubs (which are effectively provincial hubs)
- future pilot Community Colleges with their attached Community Learning Centres.²

Some further cautions and suggestions

It is important to note that it is not feasible to develop a formula (or formulae) for funding allocations to Community Colleges that will encompass **all** the components and principles embedded in the Ministerial Committee's recommendations.

Certain components such as the programme subsidies can be allocated based on a formula, other components such as infrastructure development or materials development, cannot (and it is important that additional funding will have to be allocated for the introduction of earmarked grants and most crucially for the setup of the pilot community colleges and in due course a local community college in each district of the country).

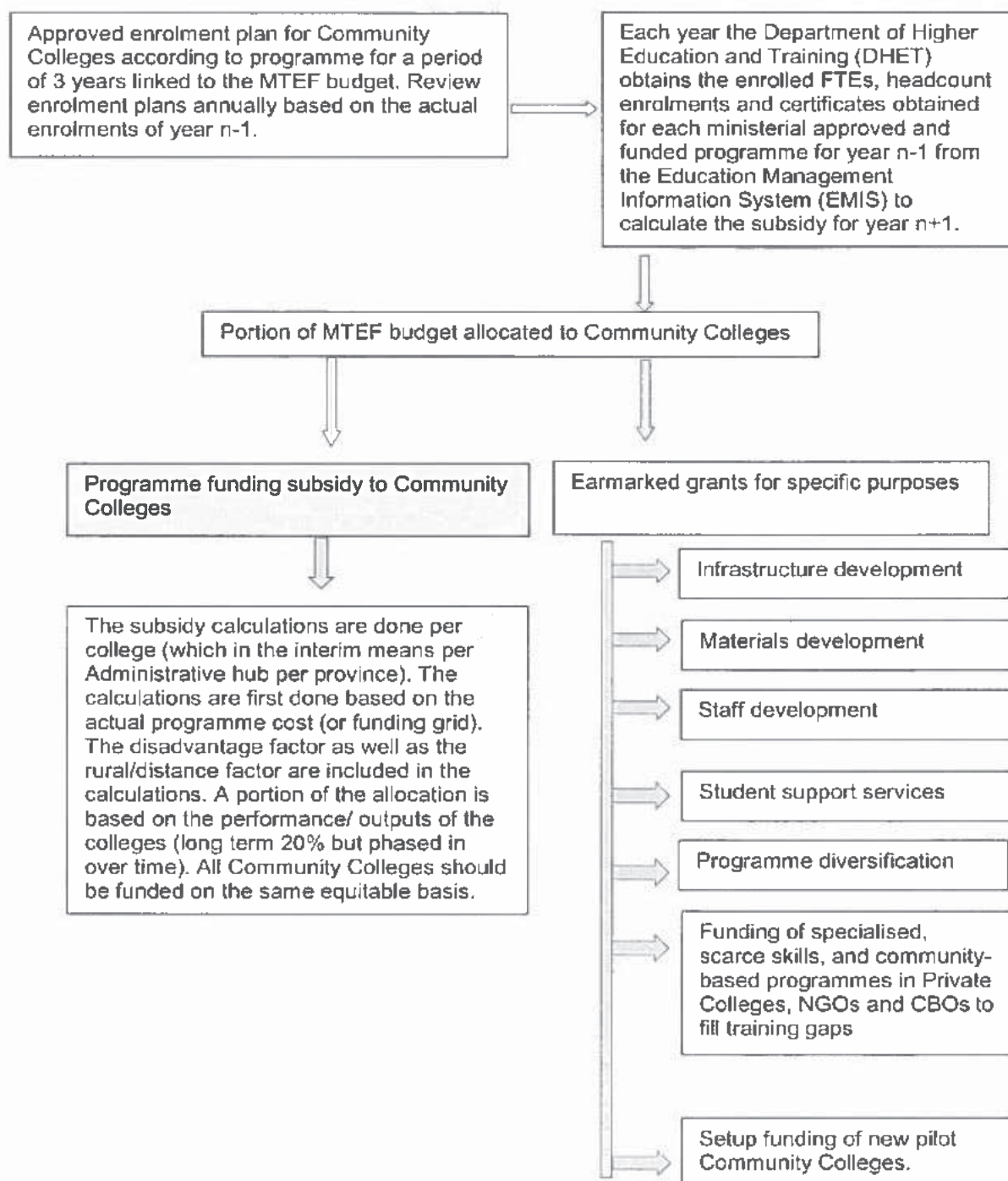
We recommend that from the start that funding to colleges be equitable with no differences based on historic provincial allocations (as has unfortunately been the case with the allocations to TVET Colleges).

It is advisable that a model of allocation be developed that will over time introduce the Ministerial Committee's recommendations accepted by the Minister. The introduction of each component must be modelled to establish the impact on each Community College and should be introduced stepwise to ensure that the developing system is not put under undue pressure or destabilised.

The funding allocations are rather presented on the next as a framework in a flow diagramme format with an indication of principles for allocation. Decisions need to be made with regard to amounts allocated for performance/ outputs as well as amounts set aside for earmarked grants for specific purposes.

² As an example, a Pietermaritzburg centred Community College would initially have attached to it 29 Community Learning Centres.

An outline of the funding process for Community Colleges



Various steps in the funding process of programmes through funding subsidies

Management Information System (MIS)

Historically the Adult Education and Training system run through Provincial Departments of Education in the Public Adult Learning Centres had a very poor information generation capacity.

In the current situation, unless accurate data is available on such things as enrolment and output it will be impossible to implement funding formulae.

It is therefore vital that the DHET develop an appropriate MIS to ensure that the DHET can make improved and enhanced subsidy calculations and that the DHET can monitor the efficiency and performance of the Community College system.³

The DHET must involve a wide range of role players in the design and development of a unit record database system. The design and development must include the strategic and enrolment planners, financial staff, curriculum developers, physical planners, internal and external researchers, Community College staff as well as representative bodies to ensure that the DHET develop a comprehensive database that will serve the needs of all the role players in the sector.

DHET must also establish a process and structure that revisits the database design on a regular basis to ensure that it remains relevant and serve the needs of the various role players.

Enrolment planning

The Community Colleges should stay within 5% of the enrolment plan targets to avoid the deflation of the rand value of the full-time equivalents (FTEs) per programme and or to avoid over-funding (under-enrolment) for a particular college. These enrolment targets could provide indicative subsidy allocations for Community Colleges.

It needs to be recognised that adult basic education is a constitutional right for both children and adults and enrolment planning must take this into account – it would be difficult, for instance, to justify any withdrawal or reduction of adult basic education provision (that is, ABET 1 to 4 programmes and the GETCA) or to fail to respond to obvious expressed need for expansion of such adult basic education provision.

³ It is unclear whether the data on Community Learning Centres is still on the EMIS system of the provincial education departments (if it was on) or now on the TVET MIS or on the HE MIS.

The number of staff posts available

A crucial determinant in deciding on the baseline monetary figure necessary to fund (subsidise) the average weighted FTE student is assessing what the portion of the average cost of each staff post is for servicing that individual FTE.⁴

The average cost of teaching and support staff is itself influenced by factors such as class sizes⁵, level of the teaching posts for particular programmes, whether the staff member is permanent, fixed-term or temporary.⁶ Years of service and the cost implications of that also come into the equation.

Currently the cost of staff is the major expense in the system and the current proposals are to reduce this from 95% to 75% of expenditure. This will be a difficult task, made worse by efforts to improve the qualifications and conditions of service of Community College educators at the same time, with the likelihood of reducing the scale of provision (which may be difficult given the constitutional right to adult basic education). It may be sensible to gradually reduce the percentage from 95% to 80% or 75% over a ten year period.

The *Draft policy* proposes that staff posts be distributed on basis of student FTEs though it recognises problems with this, even if particular programmes have their FTEs weighted differently (for example because of reasons of cost of delivery), because of different enrolment patterns in different geographical areas.

The *Post provisioning norms* document proposes core management and administration posts at the levels of College (22 posts), Community Learning Centres (8) and satellites (1). In the current context this is a top-heavy bureaucracy, given that as yet there are no pilot Colleges and most Community Learning Centre are in fact have quite small enrolments.

⁴ Until a functional MIS is in place, funding may need to be based on a simple headcount.

⁵ The DHET documents make much of the variation in class sizes, presumably on the basis that ABET classes need to be smaller because it requires more intensive individual work with the learners. The *Draft policy* proposals make a number of suggestions about weightings of FTEs on the basis of class size that do not explain themselves:

ABET 1 to 3 have a maximum class size of 30 and a weighting of 1.17.

ABET 4 and NQF 2 to 4 have a maximum class size of 35 and a weighting of 1.

The *Roadshows* document has weightings of 1.15 for ABET 1 to 3, 1.125 for ABET 4, 1.05 for the Senior Certificate, and 1.125 for certificated skills training. Oddly, there is no unweighted baseline !!

⁶ These types of posts are distinguished thus:

Permanent posts (some of which could be **Shared** posts such as two part-time employees sharing one full post and some of which would be **Part-time**). Core staff would need to be permanent.

Fixed-term posts (which again could be full or part-time)

Temporary posts (usually part-time)

The size of the institutional sites

Varying figures are given in different documents for the normative size of the Community College institutional components:

	Colleges	Community Learning Centres	Satellites
Small	700 to 1500 FTEs	200 to 350 FTEs	75 to 199 FTEs
Medium	1501 to 2500 FTEs	351 to 500 FTEs	
Large	2501 and above FTEs	551 to 699 FTEs	
Note: the glossary (p. 224) to the <i>Draft policy</i> has a maximum of 599 FTEs for Community Learning Centres.			

These size decisions seem to be based on, first, an attempt to force the Community Colleges into the mould of the current TVET College system where each major city has a set of campuses in close proximity to one another (a historical legacy of the physically separate institutions for the different so-called races now merged organisationally), so that the Community Learning Centres are, mistakenly seen as approximating to these campuses, and second, by a seeming lack of awareness that few of the existing Community Learning Centres (the ex PALCs) have large numbers of FTEs.

What is a plausible weighting option is that there should be a baseline figure for any college (say up to 1500 FTEs) and then a weighting (say from 0.95 to 0.9) on the FTEs greater than that number.

Weighting of FTEs in a subsidy formula

The arguments for weighting FTEs⁷ include the following:

- the variable costs of delivery (which may be caused by enrolment size, Community Learning Centre size, class size, levels of educators, special equipment or materials, travel to remote sites⁸, the unpreparedness of disadvantaged learners, etc.)
- a means of prioritising provision of programmes that specifically target the disadvantaged

⁷ Full Time Equivalent (FTE) calculations are usually based on the number of courses/modules/subject taken by an individual student in a year. For a full time student these courses taken should have a value of approximately 120 National Qualification Framework credits (where 120 credits is taken as being 1200 notional hours of study which is considered to be the normal workload of a full time student). Clearly, if Community Colleges do not have a credit system which allocates credits to each course, module or unit of study, then it is very difficult to calculate FTs.

⁸ The *Post provisioning norms* document proposed a size of province weighting that adds a number of FTEs to a province's tally (2 FTEs per 500 km²). This supposedly is compensation for travel by staff. It is a very crude mechanism that should be replaced as soon as Community Colleges do actually exist in every district when they could be compensated for being in very large districts as well as on the socio-economic status of the district.

The *Draft Policy* has a formula for the allocation of professional posts (i.e. about 60% of the overall funding) but unfortunately, in the *Government Gazette* the formula has been cut off (but one can find it in the *Roadshows* document). The number of posts allocated to a particular college is calculated by dividing the number of students in a college (weighted FTEs) by the national number of students (weighted FTEs) divided by the number of posts available nationally. This part of the formula is fairly mechanical and assumes that the number of professional posts available nationally has been determined after a sound financial analysis and budgeting process.

Adjustments to the subsidy formula

The most obvious adjustments to the subsidy given per FTE after allowance for normal cost of delivery and prioritising programmes for the disadvantaged (such as ABE level programmes) are the following:

- Enrolment targets
- Performance/Output
- Special needs
- Disadvantaged geographical areas
- Size of the College
- Lowest reasonable cost (that is, supplies and services do not cost more than the *lowest reasonable cost* at which they could be procured on the open market/in the college system).

Enrolment targets

Some subsidy formulae penalise institutions if they deviate too much from the planned enrolment targets. In the future it might be good to penalise institutions who deviated more than 5% either way from their enrolment target.⁹ At present, where the accuracy of enrolment data is unreliable and the “colleges” are in fact whole provinces of Community Learning Centres administered from an Administrative hub, such a practice seems senseless.

⁹ The proposals suggested by Charles Sheppard to deal with enrolment deviation in TVET Colleges could be made use of in the future for Community Colleges as well:

- If the enrolments deviate more than 5% from the target, the DHET must adjust the enrolment targets for year n+1.
- If the college's enrolments were more than 5% under the enrolment targets for year n-1 the targets for year n+1 must be adjusted down.
- Depending on the totals for the system, as well as available funding, if a college enrolled more than a 5% deviation from the target the target could be increased for year n+1.
- If the system totals and funding do not allow it, the DHET must leave the target for year n+1 as is and the college must manage their enrolments for year n+1 within this target range.
- If there is not 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.
- The *subsidy allocation* for year n+1 is thus based on the enrolment target for year n+1, but the achievement of the enrolment target for year n-1 might affect the *enrolment target* for year n+1.

Performance/Output

With due caution, the DHET could consider allocating a portion of the programme subsidy funding on the basis of the performance/outputs of the College. In the longer term this could constitute approximately 20% of the allocation, but to ensure financial stability it could be phased in over a period of time.

A simple way of implementing such an output subsidy is to allocate output weights to various types of certificates awarded by Colleges based on the programmes credits. All certificates 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 for output funding is then divided amongst the Colleges based on their share of the total weighted outputs.

As noted, the percentage of the programme funding set aside for rewarding output could be a small percentage in the beginning of implementation but it should be increased over time.

As this is a performance related subsidy it should normally form part of the normal subsidy allocations, as it is in other systems (such as Higher Education) and should not be an earmarked grant.

Special needs

Additional weights for special educational needs students should be added, as has been the practice in the TVET sector (where the weightings range from 2.5 to 5). This should mean extra funding for special needs students in a particular programme.

However, there are three conditions necessary, first, that the special needs are identified using rigorous criteria – the students must have some clear disability or difficulty that has a severe impact on their ability to gain adequately from mainstream education, second that the weighting must match the actual extra resources required, and, third, that evidence is provided that special assistance is actually provided to such special needs students and extra staff are employed.

Initially it might be necessary to fund special needs students from funds top-sliced from programme funding before allocations are made to colleges. This should only be a temporary measure until greater clarity is obtained on the proportion of students who have special needs.

Disadvantaged geographical areas

In many countries, there is some form of redress in subsidy formulae for either individual students who come from socio-economically and educationally disadvantaged areas (educationally disadvantaged students require more student support to be successful) or to institutions that are based in such disadvantaged areas. In many cases “rural” is the proxy descriptor of such disadvantage, in others a more nuanced compendium of socio-economic indicators is used (for example in the United Kingdom there is a Multiple Deprivation Index linked to each Postal Code in the country).

In the future the DHET should introduce an additional funding weight for rural community colleges e.g. a 10% additional weight or multiplying their unweighted full-time equivalents with 1.1. There would probably have to be a weight for semi-rural as well (e.g. 5% additional unweighted FTEs). 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.

However, currently this is all academic, given that there are no Community Colleges, only Administrative Hubs serving a whole province of Community Learning Centres, and any disadvantage weighting would have to be done on the relative poverty and deprivation in each province as a whole.

Dedicating some of the subsidy to Community Colleges that serve particularly socio-economically or educationally disadvantaged students should not be affected by those institutions having students who have received funding (such as NSFAS) because they are disadvantaged. NSFAS grants pay for ordinary tuition and living/accommodation costs. Such grants do not cover the additional costs the institution incurs having to provide additional educational support to under-prepared students.

Size of the College

There could also be a grant of additional funding units to an institution based on its size (based upon evidence of variability in the core costs being affected by the size of the institution). Again, currently this cannot be implemented because there are no actual Community Colleges, only provincial sets of Community Learning Centres.

Lowest reasonable cost

Current funding baseline amounts for TVET programmes are based on the lowest cost per FTE amongst existing TVET College programmes. This kind of decision assumes that there is accurate expenditure data and that is no hidden cross subsidisation to or from other TVET College programmes.

Given, that currently there are only the Administrative hubs, the data on which such a decision could be made would be based on how much it costs to run a programme (such as the GETCA or the Senior Certificate) in each province. Presumably such a judgement will have to be made and then its realism monitored over a number of years. However, there is difficulty in ascertaining the real impact of such things as distance, disadvantage, etc. on the cost of running programmes.

A possible pilot subsidy formula for programmes

A future formula could look something like this:

$$\begin{aligned} \text{Programme funding} = & (\text{Number of FTEs} \times \text{Baseline funding rate per student} \times \text{Output factor} \\ & \times \text{Programme cost weighting} \times \text{College area disadvantage factor}) \\ & + ([\text{average of amongst all FTEs of}] \text{ Individual Disadvantage} \\ & \text{weighting} \times \text{Number of FTEs} \times \text{Individual Disadvantage rate per} \\ & \text{student}) \\ & + ([\text{average of amongst all FTEs of}] \text{ Special Needs weighting} \times \\ & \text{Number of FTEs} \times \text{Special Needs rate per student}) \end{aligned}$$

A current interim formula could look something like this:

$$\begin{aligned} \text{Programme funding} = & (\text{Number of FTEs} \times \text{Baseline funding rate per student} \times \text{Programme} \\ & \text{cost weighting} \times \text{Province area disadvantage factor}) \\ & + ([\text{average of amongst all FTEs of}] \text{ Individual Disadvantage} \\ & \text{weighting} \times \text{Number of FTEs} \times \text{Individual Disadvantage rate per} \\ & \text{student}) \\ & + ([\text{average of amongst all FTEs of}] \text{ Special Needs weighting} \times \\ & \text{Number of FTEs} \times \text{Special Needs rate per student}) \end{aligned}$$

Earmarked grants for special purposes

Earmarked grants should be allocated as follows:

Infrastructure development should be allocated on a project basis addressing national priority areas as well as need.

Materials development needs to be done at a national level on a project basis. Clearly there is an urgent need for quality materials for ABET levels 1 to 4 (leading to the GETCA) and for the existing Amended Senior Certificate (SC) and the new National Senior certificate for Adults (NASCA).

Staff development funds must be allocated on the basis of number of staff that needs training as well as the cost of training. The decision of the DHET that Higher Certificates are no longer accepted as a teaching qualification means that many people previously employed as educators in PALCs, particular in the ABET 1 to 4 classes, will need to have the qualifications rapidly upgraded to Diploma level.

Student support services can be allocated on the basis of full-time equivalents of government funded programmes.

Programme diversification should be allocated on a project basis to expand the existing school equivalency fare (that was previously provided by the PALCs) in partnership with state departments, NGOS, CBOs and skills training bodies.

Funding of **specialised and scarce skills programmes** in private colleges, NGOs and CBOs to fill training gaps will have to be done on the basis of need.

Setup funding of new pilot Community Colleges whether for totally new institutions with new infrastructure or housed in existing state or non-profit sector facilities will need rigorous costing and the preparation of various setup funding packages.

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