

Funding of the South African Further Education and Training Sector for an Equitable Sharing of National Revenue

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10.1 Introduction

The South African education system comprises three broad bands that are referred to as general education; further education and training (FET), which comprises vocational and occupational education, and training offered at colleges and at the last three years of general school education; and higher education (universities, comprehensive universities and universities of technology). Vocational education refers to education that gives students the knowledge and skills to enter the economy, by providing a general, broad vocational orientation and general learning in essential areas such as language and maths. Occupational education refers to educational programmes that prepare students for specific occupations and ongoing professional development and training in the workplace (DHET, 2012b). Skills development programmes are provided through Sector Education and Training Authorities (SETAs) and vocational and continuing education and training (VCET), which includes FET colleges and post-literacy adult education and training.

An effective FET college system is a critical component of a well-established, good quality, post-school education system. As the National Development Plan (NDP) recognises, FET can extend access to the labour market, increase labour productivity and improve other labour market outcomes, such as wages and labour employability. In particular, developing human capital improves a country's competitiveness, innovation and economic growth (NPC, 2012). FET is an important investment lever for economic development through its focus on developing skills for the labour market. Skills development is critical for absorbing the economically marginalised into a vibrant, innovative and internationally competitive economy.

In line with the mandate of the national Department of Higher Education and Training (DHET), FET colleges are migrating from the provincial to national sphere. The rationale for this shift is to develop an integrated post-school education and training sector. This chapter highlights key issues for consideration with respect to the full transfer of the FET function in line with the requirements of the Financial and Fiscal Commission Act (99 of 1997), which provides for consultation with the Commission on the fiscal and financial implications of assigning the power or function to another sphere of government. This chapter presents an overview of key issues related to financing the FET function and lays the foundation for the anticipated and ongoing shift, looking at how to maximise potential benefits and mitigate financial and fiscal risks.

10.2 Problem Statement

Most business organisations and government recognise that South Africa suffers from a shortage of skills, including artisans, technicians and engineers. The World Competitiveness Yearbook published by the International Institute for Management Development (IMD, 2010) ranked South

Africa last out of the 58 countries profiled for availability of skilled labour. The gap between labour force entry and the ability of the economy to create jobs for young unemployed people is also growing. To address the shortage of skills, the government is investing in FET colleges and increasing the overall enrolments in the sector. However, despite significant government investment in FET colleges, challenges in skills development remain. The lack of post-school opportunities has resulted in approximately three million 'not in employment, education and training' youth between the ages of 18 and 24 years. Other challenges are poor student pass and throughput rates. The concern is that the poor development of skills training affects South Africa's competitiveness in the global economy.

10.3 Methodology

The quantitative research consisted of reviewing the FET colleges' budgets from 2010/11 to 2013/14 with the projected budgets for the Medium Term Expenditure Framework (MTEF). Also investigated were the implications of the shift of the FET function and budget from provinces to the DHET. Data was sourced from the national expenditure estimates, and the DHET and FET annual financial statements. A survey was conducted among FET colleges and provincial education departments to get feedback on the implementation of the funding norms and standards and the migration process of the FET function to the national sphere. The performance of FET colleges in relation to policy goals was analysed in order to determine the responsiveness of the FET college sector to national policy goals and detect any barriers to performance.

10.4 Literature Review

Vocational education and training (VET) takes a variety of forms both within and among different countries. It can be pre-vocational training, to prepare young people for transition to a VET programme at upper secondary level (initial VET normally leads to a certificate at upper secondary level). It can be school-based or company-based, or a combination of both (as in a dual system). At post-secondary level, VET provides access to higher skilled jobs (e.g. master or technician) and can open the way to higher education (Tessaring and Wannan, 2010).

In South Africa, the FET band includes the post-compulsory phase of career-oriented education, which is offered at several FET colleges country-wide, and the senior secondary component of schooling. According to the Further Education and Training Act (South Africa, 2008), FET means all learning and training programmes that lead to a qualification from levels 2 to 4 of the National Qualifications Framework (NQF), as contemplated in the National Qualifications Authority Act (South Africa, 1995); these levels are above general education, but below higher education. FET comprises of three different paths: academic, vocationally orientated and occupation specific. In the National Plan for FET colleges (DoE, 2008), VET refers to those aspects of the education process that involve, (in addition to general education), the study of technologies and related sciences, the acquisition of practical skills, understanding and knowledge relating to occupations in various sectors of economic and social life. This view is consistent with the definition of VET provided by the International Labour Organisation and the United Nations Educational, Scientific and Cultural Organisation (UNESCO).

This section provides a review of literature on FET. After looking at the role and value of FET in stimulating economic growth and development, the models for financing and funding FET are reviewed, followed by an assessment of the performance of FET.

10.4.1 The Role and Value of FET

Governments are increasingly recognising the importance of technical vocational education and training (TVET) systems for economic development because of their focus on skills for the labour market. TVET systems are also seen as instruments of social policy, assisting (for example) those from particular social groups, such as those in poverty or lacking marketable skills (Basu, 1997). The African Economic Outlook (OECD, 2012) also points out that VET contributes to social inclusion and poverty reduction, and provides a solution to the problem of youth unemployment in many developed and developing countries. Youth unemployment exists almost everywhere and has become a structural problem in many countries. Millions of youth are denied the opportunity to make their creative contributions to society. The weak labour-market integration of youth is not only a threat to social cohesion, but also a loss to overall development. Therefore, a persistent challenge for TVET is to assist youth in learning skills for successful transitions between education and work (UNESCO, 2012).

The report Vocational Education and Training Systems: Key Issues for Large Enterprises also highlights the important role that VET plays in aiding economies to become more knowledge-intensive (BCA, 2004). Human capital is a driver of national economic competitiveness, which means that real productive gains can result from a workforce with the necessary skills and knowledge to adopt innovative approaches in their work practices, and by addressing skills shortages in sectors such as information technology and telecommunications.

The real tests of success of VET are the employability of the graduates, personal development, opportunities for further education and career development, public acceptance and image. Ultimately, the effectiveness and responsiveness of a VET system is measured by its impact on the social and economic development of the nation (Seng, 2007).

10.4.2 Models for Financing and Funding FET

Financing mechanisms have a central role to play in developing an effective, efficient, competitive, flexible, demand-driven training system, i.e. a system that is responsive to and aims to meet the skills needs of the economy, society and of individuals (Ziderman, 2001). Training systems should ideally be (a) effective: offer meaningful, quality, skills development and avoid non-relevant training; (b) efficient: avoid high cost, unproductive or wasteful provision; (c) competitive: counter supply-driven training tendencies and facilitate the development of training effectiveness and efficiency; (d) flexible: technically able in the short term to change the scope and direction of outputs (training provision) if necessary; and (e) responsive: be receptive to the changing demands of the market and the economy (Ziderman, 2002).

Training can be financed either unilaterally or through cost-sharing/co-financing mechanisms. Unilaterally refers to financing by only one of the stakeholders (the state, employers or the indi-

vidual trainees) and includes input- and output-oriented financing, outsourcing, voucher systems, employer sponsoring and individual sponsoring. Unilateral financing works best for types of training that give the payer clear and immediate benefits, whereas co-financing is usually considered for national, regional or sector-specific training (Jager and Buhrer, 2000). Cost-sharing financing mechanisms include national training funds, training levies, matching funds, training fees and trainee loans (Ziderman, 2002; Franz, 2005).

Training funds are a central element in the training system in many countries throughout the world, constituting an institutional framework for allocating funding to training providers and usually concerned with enhancing the supply, quality, and relevance of training provision (Ziderman, 2002). Typically, training funds come from government budgetary allocation (instead of direct funding of training institutions), training levies and donor support, or a combination of some or all of these sources. These funds may be supplemented by incomes of other national training authorities (or other fund-controlling organisations), such as licence, testing or consultancy fees. National training funds (particularly when financed by company training levies) should provide sustained and stable funding for the training programmes they support. However, this has not always happened, especially when funds do not receive the resources designated for their activities (Ziderman, 2002). For example, training levy proceeds meant for the training fund may instead be absorbed into general government revenues. Long-term sustainability is a serious problem in some countries, especially where training funds were launched by donors and are mainly funded externally.

Training levies or training taxes are very common methods of compulsory investment found across the developed and developing world. Depending on their design, levy schemes can serve very different policy objectives, ranging from supplementing public training financing to encouraging the delivery of direct enterprise training or enterprise financing of individual training institutions (Franz, 2005).

Under the matching funds system, the level of public contributions does not depend on the projected use of production factors, but rather on the contributions that a training provider can raise elsewhere. The government share is calculated as a fixed proportion of these third-party contributions. The proportion may vary according to regional differences or types of school. This system forces providers to adapt their services to the priorities of their donors, incentivising them to increase the effectiveness of their offer. Therefore, some kind of performance control is introduced at comparatively little cost to the state. However, the assumption is that funds are granted in proportion to the quality and efficiency of training, which is not guaranteed (Jager and Buhrer, 2000).

Private training has always charged fees, but the introduction of training fees in public training institutions is also becoming a widespread issue of discussion (Franz, 2005). The usual reason for introducing fees is to raise additional resources to finance public training. The advantage of training fees is that trainees legitimately share in the cost burden of human-capital creation, of which they are direct beneficiaries. The disadvantage is that the poor may be excluded from training opportunities. Under fiscal pressure, government may incorporate training levy proceeds

into general public tax revenues (Ziderman, 2002). As introducing training fees risks excluding the poor/lower income groups from training, in most cases mitigating strategies are considered and developed, in particular for long-term training. Such mitigating instruments include, for example, targeted subsidies or fee exemption, loan schemes and graduation taxes, and scholarships from employers and other organisations (Franz, 2005).

Cost-sharing schemes that include user fees are likely to be burdensome, not only for the poor, thus discouraging participation in formal training programmes (Franz, 2005). This is particularly so if fees are set at a sufficiently high level to achieve significant cost recovery. Loans can provide students with the means to pay tuition fees, thus easing their burden during study by enabling them to delay payments until they receive the higher earnings made possible by the education course. In similar fashion, support is increasing for the use of training loans schemes as an adjunct to raising fees for training programmes.

Funding Distribution: Transfers to Training Institutions

The mechanisms through which governments transfer funds to training institutions are likely to have an important effect on the way in which the funding is used and on institutional behaviour (Ziderman, 2001). In particular, inherent shortcomings in the transfer mechanisms currently used encourage low internal efficiency of training institutions and a strengthening of supply-driven training provision. Ziderman identifies the following mechanisms used by different countries:

Ad-hoc Funding

Widespread practices include incremental funding, where institutional allocations are based on those of the previous year, often augmented by across-the-board steady budgetary increases, or perhaps according to political influence, interest group pressure or the negotiating skills of the institutions. Rooted in the status quo, such ad-hoc allocations are unlikely to facilitate internal efficiency or market-orientated dynamism. If funding is unrelated to the internal activities of the training provider, no incentives are built into the funding system to promote greater efficiency (Ziderman, 2001).

Input-based Funding

A more objective alternative is to fund institutions on the basis of the estimated costs of inputs required for providing training. The simplest, but least satisfactory, form of input funding is to base allocations on the itemised budgets for future years submitted by training institutions. Since overall budget allocations for each institution is based on the approval of individual expenditure items, this form of funding leads to inflexible line-item budgeting, with the use of funding restricted to approved purposes. A more flexible form of input funding derives institutional allocations from formulas typically based on trainee enrolments or number of classes. Two inherent problems are associated with input funding (Ziderman, 2001):

1. There is little incentive for efficiency. Funding formulas based on average costs provide incentives for institutional expansion, perhaps regardless of trainee suitability, and do not offer quality assurance in terms of the quality or job relevance of the training.
2. Input budgeting promotes a training environment that is divorced from employment needs

and the job markets, and may lead to a training system that is out of kilter with the realities of the labour market.

Output-based Funding

The concept of payment by results and rewarding performance underlie output-based methods of funding. Output-related funding provides financial incentives to training institutions by rewarding them for meeting certain predetermined levels of training delivery; training institutions that do not achieve these predefined outputs are penalised. Outputs may be measured in absolute terms, but may also relate to the speed at which outputs are produced. The most important benefit of output-based funding is enhanced efficiency of the training process. Since a training institution's budget is linked to achieving a particular output, the training institutions are incentivised to change and improve various aspects of their training policies and practices in order to increase their training performance and hence funding (Ziderman, 2001).

Composition Formula Funding

Composition formula funding is a combination of out-put funding and input-funding. In general, implementing formula funding will require a framework that strikes a balance between the individual institutional response to efficiency incentives and the need for annual funding stability. For example, output-oriented funding schemes may lead to better performance, but may also result in funding instability, as institutional income will depend on outcomes, which are in turn subject to the vagaries of economic activity. Institutional funding that is based solely on performance, year-to-year variations in funding may lead to cash-flow problems, thus complicating the ongoing training process, and funding uncertainty will discourage institutional initiatives and change. Thus output-based funding is unlikely to be successful if used as the sole criterion for funding (Ziderman, 2001).

10.4.3 Performance of FET

In Africa, TVET provision in formal education systems takes place at the lower secondary, upper secondary, and post-secondary non-tertiary level, as well as at the first stage tertiary level. In 2006 UNESCO's Institute of Statistics conducted the only survey on access to formal TVET worldwide. It provides statistics on TVET enrolment in Africa as a percentage of secondary school enrolment. African countries were grouped in three categories. The first group encompasses 10 countries where TVET enrolment was 10 per cent or more of secondary school enrolment: Rwanda, with 36 per cent, followed by Cameroon, the Democratic Republic of the Congo, Egypt, Libya, Congo, Mauritius, Benin, Algeria and Mali, each with 10 per cent (Jager and Buhrer, 2000). For the second group of countries, TVET enrolment was between five and nine per cent of secondary education. This group of 10 countries consisted of Burkina Faso, Burundi, Djibouti, Mozambique, Tunisia, each with eight per cent, followed by Botswana, Morocco, South Africa, Cape Verde and Togo, each with five per cent. The third group of 15 countries consisted of Mauritania and Uganda (with four per cent), and Niger, Ethiopia, Ghana, Guinea-Bissau, Zambia, Chad, Eritrea, Gambia, Kenya, Lesotho, São Tomé and Príncipe, Senegal, and Sudan with one per cent (OECD, 2012).

The report on African Economic Outlook (OECD, 2012) further highlights that enrolment in technical and vocational programmes is quite high in North Africa (averaging 22.95 per cent of total

secondary school enrolment between 2001 and 2005). However, the vocational education sector generally occupies a much smaller (if not marginal) position in sub-Saharan African countries (5.2 per cent between 2001 to 2005 with a falling trend since 2003) compared to the OECD countries (18.6 per cent) and other developing regions, such as Latin America (11.6 per cent) and South-East Asia (9.5 per cent). The low proportion of students enrolled in technical/vocational programmes signals stagnation and overall poor public training capacity. In addition, many vulnerable young people do not have the financial means to access formal TVET, which is seriously underfunded; the obsolescence of the equipment and weak managerial capacity further affect the quality of training programmes. Low enrolment is also partly due to the perception that TVET leads only to low-status occupations and prevents access to higher levels of education. Learners who enrol in this kind of education are considered to be those who have failed in general education. The result is a contradiction between the generally negative public image of TVET and the strategic role it is supposed to play in economic and social development.

According to Basu (1997), TVET is of major interest in Asian countries, especially in those with a singular economic growth, such as in South-East Asia and China. Most countries in the region regard TVET as being pivotal to their development, as it is intimately linked to job creation, employment provision, income generation and life-skills training. For instance, China has been continuously expanding the scale of vocational education. In 2005 and 2006, vocational secondary school enrolments increased by one million people annually: in 2006, 7.48 million students were enrolled in secondary vocational schools, accounting for 46 per cent of total senior high-school students (as many as 18.1 million students are in school). Higher vocational education has also greatly developed. In 2006, 2.93 million new students were admitted, resulting in as many as 7.96 million students in schools, or 50 per cent of students participating in post-secondary learning. As many as 150 million person-time urban and rural labourers have taken various kinds of training (Wang, 2010).

Chinese vocational education focuses on employment. Vocational institutes and schools have cooperated with society, enterprises and villages and become market oriented. Methods include combining learning and practice, cooperation between schools and enterprises, learning while working, education reform, developing career morality and emphasising practical and vocational competency skills. The result is that over 95 per cent of the students become employed (Wang, 2010).

The Singapore government has also invested heavily in education and training, not only in universities and polytechnics but especially in vocational and technical education under the Institute of Technical Education (ITE). ITE has effectively rebuilt and transformed its former “vocational institutes” into top-line “educational colleges”. By demonstrating world-class educational results, it has turned around the public perception and image of ITE. Today, an ITE college education is widely recognised locally and internationally for its relevance, quality and values in a global economy. ITE is not a university or a polytechnic. It is a government-funded, post-secondary institution that focuses on career-based vocational technical education. Its goal is to train technicians and skilled personnel for jobs and careers in the major sectors of the economy. Its uniqueness is that it has built a responsive world-class system of VET in time for the future. Some of the unique benefits of ITE include (Seng, 2007):

- “Hands-on, Minds-on and Hearts-on” describes the holistic college education offered by ITE, which combines the development of technical skills, independent thinking and passion for what they do, to produce all-rounded graduates who are ready to take on the challenges of the global economy.
- A creative and innovative teaching and learning environment, which leverages advances in IT and e-learning technologies. The “eTutor” and “eStudent” were pioneering systems when launched in 2002. The web-based systems have transformed ITE into a community of connected on-line learning campuses and enabled ITE to deliver 20 per cent of its total curriculum time on a web-based platform.
- Communications, marketing and rebranding of ITE. A comprehensive marketing programme reaches out to students, teachers, parents and the community through talks in secondary schools, road shows and media publicity. Secondary school students are also offered the opportunity to spend two days in the “Experience ITE Programme” to experience the relevance of an ITE college education. This programme reaches some 50 000 individuals and receives 300–400 positive media mentions every year.

Some of the key issues that emerge from the international literature on FET are:

1. Although TVET enrolment is quite high in North Africa, the vocational education sector generally occupies a marginal position in school systems in sub-Saharan African countries, compared to the OECD countries and other developing regions, such as Latin America and South-East Asia.
2. In African countries, the low proportion of students enrolled in technical/vocational programmes was due to the following: a) Overall poor public training capacity. b) The lack of financial means prevents many vulnerable young people from accessing formal TVET, which is seriously underfunded, has obsolete equipment and weak managerial capacity, all of which affect the quality of training programmes. c) The perception that TVET leads only to low-status occupations and prevents access to higher levels of education. The result is a contradiction between the generally negative public image of TVET and the strategic role it is supposed to play in economic and social development.
3. China has been continuously expanding the scale of vocational education through the cooperation of society, enterprises and villages and becoming market oriented.
4. Singapore has invested heavily in TVET through the ITE, which is now a community of connected on-line learning campuses and has a comprehensive marketing programme, that reaches out to students, teachers, parents and the community.
5. Training fees, which risk excluding the poor/lower income groups from training.
6. Cost-sharing schemes that include user fees are likely to be burdensome and discourage participation in formal training.
7. Government may use input formulas as a form of indirect control over enrolment patterns by employing differential weightings based on course offering or student backgrounds. However, there is little incentive for efficiency. It may also lead to training systems that are not in line with the realities of the labour market.
8. Output-related funding enhances the efficiency of the training process, providing incentives for training institutions to change and improve various aspects of their training policies and practices.

10.5 Financing and Funding of FET in South Africa

10.5.1 Programme Financing and Function Shift

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 full-time equivalent (FTE) students. 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 2009, higher education was transferred to the DHET, which took responsibility for FET colleges, as part of its efforts to improve skills development.

10.5.2 Funding Distribution: Transfers to FET Colleges

Prior to 2010, provinces had some flexibility in how they allocated budgets to FET colleges as funding was allocated through the provincial equitable share. However, this flexibility was lost following the function's shift to the DHET. Funding for FET colleges is allocated in the form of a conditional grant, which is still channelled through provinces and is intended to ensure the successful transfer of the FET college function to the DHET.

The Division of Revenue Bill (National Treasury, 2013) specifies that the funding of some of the outputs of this grant depends on the priority set for each college within available funding. The national enrolment plan linked to funding norms is used as a guideline for allocating the grant to each college. Any upward deviation from these enrolments must be funded by the college or entity causing such deviation. For the 2012/13 financial year, the budget allocation is based on the allocation for the FET colleges as per programme 5 in Provincial Education Departments as set out in the revised 2013 MTEF.

10.6 Performance of FET Colleges in South Africa

Table 75 summarises the goals against which the performance of FET colleges are measured.

Table 75: Goals and Measurable Objectives for the Public FET College Sector

Goals	Measurable Output
Creating a national coordinated FET college system with a unique identity.	<ul style="list-style-type: none"> Improved public perception of the FET sector. Quality programme offerings. Improved quality of students and staff. Efficient management & governance. Effective coordination and leadership by the Inter-Provincial Committee for the FET colleges. A register of priority skills programmes that address socioeconomic needs. Norms and standards for college resourcing.
Broadening access and participation and improving achievement	<ul style="list-style-type: none"> Availability of adequate infrastructure and equipment to support the delivery of vocational programmes. A million students in the sector by 2014. An average student pass rate of between 60 and 80 per cent. Expansion and use of ICT in all FET colleges. Implementation of the funding norms and standards for the public FET colleges. Availability of earmarked funding for national priorities. Implementation of the Department of Education (DoE) FET college bursary scheme. Establishment of student support services. Number of FET graduates who progress to higher education, employment or entrepreneurship. Increase in the number of artisans.
Entrenching quality and excellence	<ul style="list-style-type: none"> Development and implementation of the National Professional Lecturer Development Framework. Availability of suitably qualified FET college lecturers. High quality FET qualifications, programmes and supporting curriculum. High quality centralised assessment, national examination and quality assurance systems. All private education institutions that offer FET qualifications are regulated.
Promoting institutional autonomy, responsiveness and relevance.	<ul style="list-style-type: none"> Quality partnerships between industry and FET colleges. FET college students get placements for practical work experience. FET college graduates get job placement at the end of the programme. Industry inputs into the curriculum improvement and update. Placement of lecturers to gain real work place exposure.
Encouraging diversity	<ul style="list-style-type: none"> Diversity of institutional and campus types. Centres of Excellence are established in each province. Diversity of programme offerings. Strong public and private FET college system. Different modes of programme delivery. Criteria for providing distance education by FET colleges.
Monitoring systematic and institutional performance and fostering public accountability.	<ul style="list-style-type: none"> Management Information systems in all colleges. Further education information management systems. Culture of research and tracer studies.

Source: Department of Education (DoE, 2008).

The following subsections assess the performance and responsiveness of FET colleges to policy goals.

10.6.1 Provision of and Participation in FET

Table 76 shows the total number of registered public and private FET colleges in South Africa in 2011. A total of 50 public FET colleges and 495 private colleges operate across provinces. The highest number of public FET colleges is in KwaZulu-Natal (9), followed by Gauteng (8) and the Eastern Cape (8). The highest number of private FET colleges is in Gauteng (254), followed by KwaZulu-Natal (93) and the Western Cape (62). In 2011, Gauteng had the highest number of participants in public FET colleges (95 313), followed by KwaZulu-Natal (87 877) and the Western Cape (48 266). It is worth noting that the Eastern Cape, which is one of the provinces with a very high population, had only 37 356 participants. Similarly, Limpopo, which also has a high population, only had 41 712 participants in public FET colleges.

Table 76: Number of Registered Public and Private FET Colleges (2011)

Province	No. of Public FET Colleges	No. of Private Colleges	Total	Total participation in Public FET Colleges
Eastern Cape	8	23	31	37 356
Free State	4	12	16	30 130
Gauteng	8	254	262	95 313
KwaZulu-Natal	9	93	102	87 877
Limpopo	7	19	26	41 712
Mpumalanga	3	19	22	14 556
Northern Cape	2	3	5	22 243
North West	3	10	13	6 847
Western Cape	6	62	68	48 266
Unknown	-	-	-	12 519
Total	50	495	545	396819

Source: Department of Higher Education and Training (2012d).

Between 2010 and 2011, the total participation in public FET colleges increased from 358 393 to 400 273.

For many years, the six-level NATED Report 190 and 191 (usually abbreviated to N1, N2, N3, N4, N5, N6) courses have been the base theoretical qualification for entry FET Colleges. In 2007, the Department of Education and Training introduced the National Certificate (Vocational) NC(V) at public FET colleges to solve the problem of poor quality and low relevance of N programmes and the chronically short supply of work replacements available to private students, as well as the low technical and cognitive skills of FET graduates (DHET, 2010). The NATED programmes were phased out between 2009 and 2012 and replaced by the NC(V) programmes. The NC(V) offers programmes of study in a variety of vocational fields mainly targeted at technical skills development. The practical component of the study is mainly offered in a work place or in a stimulated environment.

In addition to 191 and NC(V) programmes, FET colleges offer occupational qualifications (Occ Qual), National Senior Certificate (NSC) and other programmes such as Adult Education Training, Level 5 programmes and Report 191 NSC programmes. A higher education programme is one that is at level 5 and above on the NQF, has a minimum of 120 credits and could take at least a year of full-time study in a higher education institution.

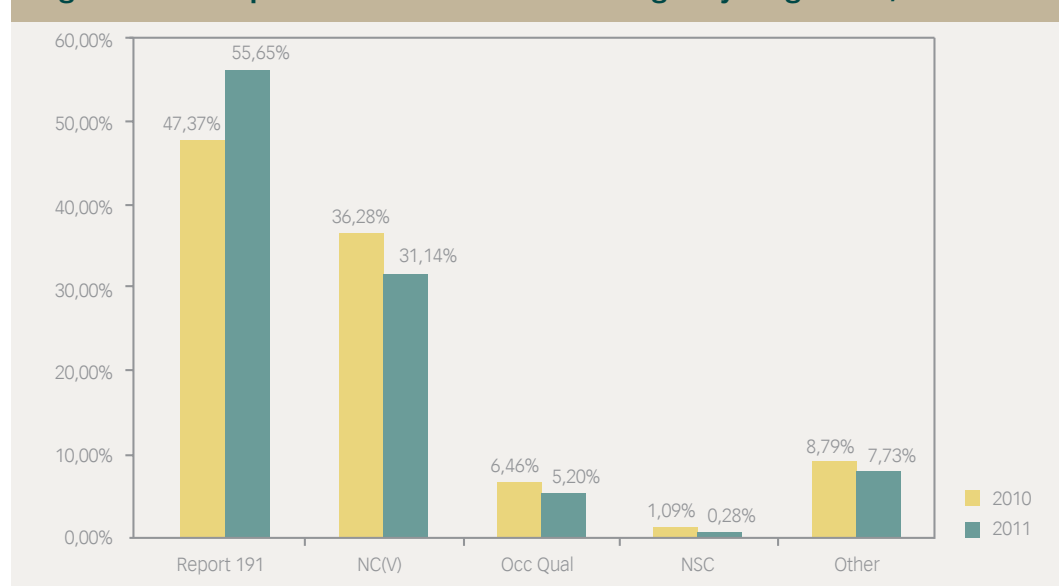
Table 77: Summary of Participation in Public FET Colleges, 2010–2011

	2010			2011		
	Female	Male	Total	Female	Male	Total
Report 191(N1 – N6)	79 588	90 186	169 774	102 821	119 933	222 754
National Certificate (Vocational)	63 080	66 959	130 039	64 260	60 398	124 658
Occupational Qualifications	11 470	11 690	23 160	13 444	7 355	20 799
National Senior Certificate	2 462	1 454	3 916	679	449	1 128
Other	12 307	19 197	31 504	12 890	18 044	30 934
Total	168 907	189 486	358 393	194 094	206 179	400 273

Source: DHET (2011, 2012a).

Figure 39 gives the participation in public FET colleges by programme and shows that participation rates are high in Report 191 programmes, followed by National Certificate (Vocational) (NC(V)) and other programmes, but low in National Senior Certificate (NSC) programmes. Between 2010 and 2011 participation in all programmes (apart from Report 191) declined, which is of concern because broadening access and participation is one of the 1998 National Plan's goals, against which the performance of the FET college sector is to be measured. Of interest is that participation in Report 191 programmes increased compared to NC(V), yet the intention of the DHET is to phase out the Report 191 programmes.

Figure 39: Participation Rates in Public FET Colleges by Programme, 2010–2011



Source: Own calculations from the Department of Higher Education and Training (DHET, 2012a).

An indicator of equitable access to FET colleges across provinces is the proportion of FET enrolments relative to the cohort population in the province. The majority of FET college students fall into the age category of 19–24 years. Table 78 shows the number and proportion of 19–24 year olds enrolled in FET colleges out of the total population of the same age. As Table 78 shows, nationally only 4.2 per cent of youth aged 19–24 years enrolled in FET colleges in 2011. Of these youth, the highest participation rate (between 5.2 and 6.6 per cent) was in the Free State, followed by Gauteng and the Western Cape. The lowest percentages (below four per cent) were in Mpumalanga, the Eastern Cape, North West and KwaZulu-Natal.

Table 78: Participation of 19–24 Year Olds in FET College Education Per Province - 2011

Province	2011			2011			2011		
	19–24 year olds in population			19–24 year olds enrolled in FET Colleges			% of 19–24 year olds in the population enrolled in FET Colleges		
	Male	Female	Grand Total	Male	Female	Grand Total	Male	Female	Grand Total
Eastern Cape	448 738	448 018	896 756	12 081	12 919	25 000	2.7%	2.9%	2.8%
Free State	167 704	164 129	331 833	10 613	11 379	21 992	6.3%	6.9%	6.6%
Gauteng	567 634	550 238	1 117 872	39 697	28 587	68 284	7.0%	5.2%	6.1%
KwaZulu-Natal	665 025	664 075	1 329 100	22 824	22 334	45 158	3.4%	3.4%	3.4%
Limpopo	362 416	367 273	729 689	15 847	16 608	32 455	4.4%	4.5%	4.4%
Mpumalanga	234 891	230 591	465 482	4 940	5 130	10 070	2.1%	2.2%	2.2%
Northern Cape	63 034	61 508	124 542	2 254	2 400	4 654	3.6%	3.9%	3.7%
North West	187 319	184 296	371 615	6 352	5 532	11 884	3.4%	3.0%	3.2%
Western Cape	276 712	272 694	549 406	14 560	13 964	28 524	5.3%	5.1%	5.2%
All provinces	2 973 473	2 942 822	5 916 295	129 168	118 853	248 021	4.3%	4.0%	4.2%

Source: StatsSA (2011); DHET (2011).

Graduate Outputs

The public FET colleges system's target is an average student pass rate of 60–80 per cent. Table 79 shows the national certification rate for public FET colleges by province. Overall, of the 404 679 who wrote examinations in 2010, only 90 252 (or 22.3 per cent) successfully completed a full qualification. In 2011, of the 126 491 who wrote examinations, only 51 790 (or 40.9 per cent) successfully completed a full qualification. Despite increased overall participation at FET colleges, the student completion rates are low and below the targeted range of 60–80 per cent.

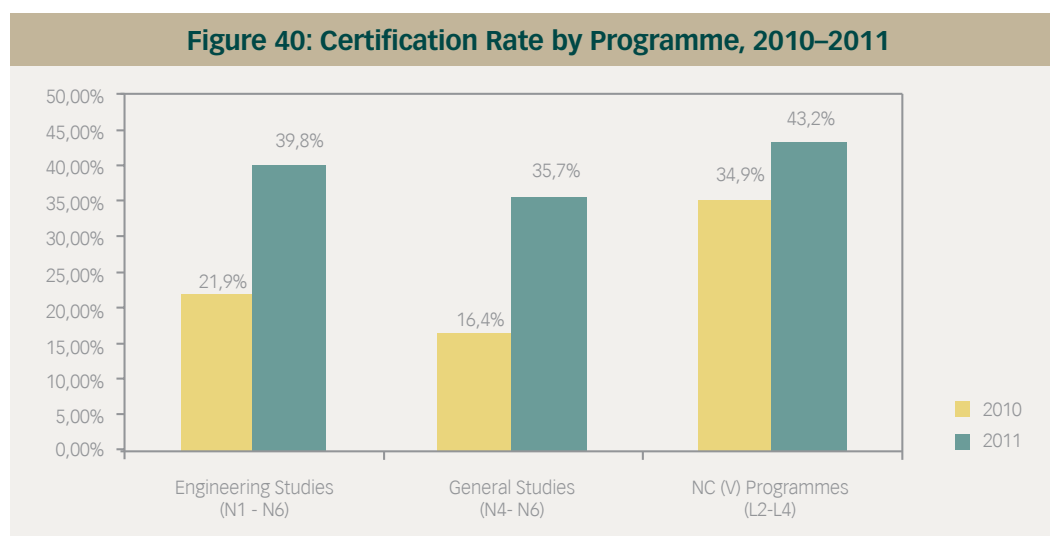
In terms of the distribution of certification rate by province, the lowest percentage in 2010 was in the Northern Cape (16.7 per cent) and the highest in the Western Cape (27.6 per cent). In 2011, the highest percentage was again found in the Western Cape (51.7 per cent), with the lowest percentage in Free State (29.3 per cent). Worth noting is that most of the provinces were below the national average of 40.9 per cent, except for the Western Cape, Mpumalanga (51.3 per cent) and North West (48.4 per cent).

Table 79: National Certification Rate for Public FET Colleges by Province, 2010–2011

Province	2010			2011		
	Wrote	Passed	Cert %	Wrote	Passed	Cert %
Eastern Cape	32 680	5 887	18.0%	11 952	4 862	40.7%
Free State	27 941	5 098	18.2%	6 312	1 852	29.3%
Gauteng	128 815	27 754	21.5%	8 728	11 003	38.3%
KwaZulu-Natal	78 485	18 466	23.5%	28 942	11 042	38.2%
Limpopo	51 926	11 930	23.0%	20 503	8 038	39.2%
Mpumalanga	30 166	7 394	24.5%	8 837	4 533	51.3%
Northern Cape	7 860	1 314	16.7%	2 018	732	36.3%
North West	14 698	3 534	24.0%	5 792	2 801	48.4%
Western Cape	32 108	8 875	27.6%	13 407	6 927	51.7%
All provinces	404 679	90 252	22.3%	126 491	51 790	40.9%

Source: Department of Higher Education and Training (2012a).

Figure 40 shows the certification rate by programme. Note that the data for the number of occupational qualifications and NSC students from FET colleges that had successfully completed their certificates is not available.



Source: Own calculations from the Department of Higher Education and Training (2012a).

As Figure 40 shows, of the learners who wrote examinations in 2010, only 34.4 per cent passed NC(V) studies, followed by N-Engineering Studies (21.9 per cent) and N-General Studies (16.4 per cent). Similarly, in 2011, only 43.2 per cent passed NC(V) studies, followed by N-Engineering Studies (39.8 per cent) and N-General Studies (35.7 per cent). During this period, the certification rate for each of these programmes was below 50 per cent, which reflects low rates of completion.

Table 80 provides a breakdown of the number of NC(V) Level 4 graduates by province that met the minimum requirements for entry into higher certificate, diploma and degree study programmes respectively.

Table 80: Graduates Who Met Minimum-Entry Requirements into Higher Education Study Programmes, 2011

Province	Total number Passed Level 4	Higher Certificate Passes	Diploma Passes	Degree Passes
Eastern Cape	607	512 (84.3%)	83 (13.7%)	12 (2.0%)
Free State	91	74 (81.3%)	17 (18.7%)	0 (0.0%)
Gauteng	1 159	964 (83.2%)	173 (14.9%)	22 (1.9%)
KwaZulu-Natal	801	696 (86.9%)	99 (12.2%)	6 (0.7%)
Limpopo	1450	1 234 (85.1%)	198 (13.7%)	18 (1.2%)
Mpumalanga	821	618 (75.3%)	175 (21.3%)	28 (3.4%)
Northern Cape	54	39 (72.2%)	13 (24.1%)	2 (3.7%)
North West	488	389 (79.7%)	90 (18.4%)	9 (1.8%)
Western Cape	798	593 (74.3%)	174 (21.8%)	31 (3.9%)
NATIONAL	6 269	5 119 (81.7%)	1 022 (16.3%)	128 (2.0%)

Source: DHET (2012a).

In 2011, public FET colleges produced 81.7 per cent of students who met the minimum requirements for higher certificates, 16.3 per cent for diplomas and two per cent for degrees. Western Cape produced the highest number of actual students (31) who were eligible for degree studies, followed by Mpumalanga (28) and Gauteng (22). Of concern is that Free State failed to produce any degree study graduates on NC (V) Level 4.

Table 81 reflects the percentage distribution of staff at public FET colleges by category and province. It shows that, of the total staff employed, the majority (55.3 per cent) were lecturing staff, followed by support staff (41.7 per cent) and management staff (three per cent). The percentage of lecturing staff declined from 56.2 per cent in 2010 to 55.3 per cent in 2011, but the distribution of lecturers differs from province to province. For instance, Gauteng has the highest number of lecturing staff (59.2 per cent in 2010 and 59.5 per cent in 2011), while the North West has the lowest number of lecturing staff (47.5 per cent in 2010 and 47.3 per cent in 2011). The decline and provincial disparities in lecturing staff at FET colleges is of concern, as lecturers are the key players in providing the intermediate-level education and training necessary to meet South Africa's national development challenges.

Table 81: Percentage Distribution of FET Staff by Province

Province	Lecturing Staff		Management Staff		Support Staff	
	2010	2011	2010	2011	2010	2011
Eastern Cape	58.9%	57.0%	3.3%	3.6%	37.9%	39.4%
Free State	52.9%	51.3%	6.2%	5.1%	40.9%	43.6%
Gauteng	59.2%	59.5%	2.5%	2.2%	38.4%	38.2%
KwaZulu-Natal	55.3%	58.8%	3.1%	2.7%	41.6%	38.6%
Limpopo	54.3%	53.6%	2.0%	1.9%	43.7%	44.5%
Mpumalanga	52.8%	52.1%	2.8%	4.4%	44.5%	43.5%
North West	47.5%	47.3%	3.9%	1.0%	48.6%	51.7%
Northern Cape	50.9%	55.3%	5.9%	1.5%	43.1%	43.2%
Western Cape	58.5%	50.5%	2.6%	4.3%	38.9%	45.2%
National	56.2%	55.3%	3.1%	3.0%	40.8%	41.7%

Source: Own calculations from the Department of Higher Education and Training (DHET, 2012a).

Governance and Management of Public FET Colleges

The governance of public FET colleges takes place within a national framework that is made up of policy documents, legislation, regulations and guidelines. The Further Education and Training Colleges Act (South Africa, 2006) provides for the public college governance structures and recommends any other relevant committees to be formed. Within this national policy framework, the governance of public FET colleges is shaped by policy developments and legislative arrangements at three levels i.e., national, provincial and institutional.

- At national level, the Minister of Higher Education and Training determines the policies, goals, norms and standards of the sector. The National Board for Further Education and Training advises the minister on FET.
- At provincial level, the Provincial Advisory Body supports the Member of the Executive Council (MEC) for Education. This advisory body represents the public, provincial organisations of students, academic and non-academic employees, and principals of the institutions, unions and non-governmental organisations. They advise the MEC on issues regarding provincial policies, goals and priorities, funding and administration of the institutions and performance of the sector.
- At institutional level, every FET institution must have a governing body that steers its future growth and development, creates an environment conducive to college growth, supports management and monitors college performance in line with the legislation and needs. Councillors at the institutions are appointed on the basis of their knowledge and experience in areas relevant to the institution.

The FET Colleges Audit (HSRC, 2011) and the FET Colleges Turnaround Strategy (MHET, 2012) highlight the following challenges related to governance and management of the FET colleges sector:

With regard to governance, the FET sector has performed poorly. Councillors do not have the breadth of competence envisaged by the Act. Compliance with the Act has been inadequate,

particularly in terms of policies, plans and procedures and the establishment of governance structures. In some instances, the oversight of college management and governance is limited.

- College management needs to be improved, especially with regard to the management of information, submission of reports to councils, management of the IT platform, and the establishment and implementation of student graduate and non-completer tracking devices.

10.7 Assessment of Plan and Progress for the Transfer Shift

The FET Colleges Act (South Africa, 2006) was amended in 2012 (South Africa, 2012), shifting the administrative function of adult learning centres and FET colleges from the provincial to the national (higher) education department (MHET, 2012). Through this change, staff from the FET college sections in provincial education departments and FET college staff have been transferred to the DHET.

For colleges, the transfer of the FET function to the DHET brings a number of advantages, not least the potential development of a uniform FET sector with a single vision that can be presented to the public. The national focus could uplift the image, marketing and quality of colleges and improve cooperation between colleges, SETAs and universities. Enhancing institutional coordination with the SETAs would assist FET colleges to unlock funding and support from industry. The location of the post-school sector under one umbrella will also lead to greater portability of qualifications in the sector. Finally, college funding would be equitable and consistent across provinces, and employment contracts and programme offerings would be standardised.

An interim process of managing the college sector has been implemented via a set of Provincial Implementation Protocols, and the following supporting activities have been initiated (DHET, 2013e):

- The development of a business plan and costs to cover the support of National Treasury's Technical Assistance Unit, and a process to secure funding for this support and the transfer process.
- The establishment of a Technical Task Team in the DHET to provide oversight and direction to the transfer process.
- The establishment of Provincial Technical Task Teams to steer the transfer process at provincial level.
- The development of a macro plan and a micro plan to direct the processes of transfer and related costing.

The migration strategy micro plan developed by the DHET is clustered into six management areas: Human Resources, Finance, Governance and Management, Legal, IT and Infrastructure, and Assets and Liabilities (DHET, 2013e). These management areas are described in Table 81. A comprehensive migration plan is in place and has progressed sufficiently to ensure that the FET colleges can continue with their daily operations during the migration process. The DHET decided to first transfer the management staff at colleges, followed by non-management staff. Provincial education staff members will be seconded to the DHET until their full transfer is complete. The subsidy allocations have been completed, and a payment schedule is in place. All the other processes to ensure the migration of all functions to the DHET are currently underway.

The migration is one angle of the transfer of the FET function from the provincial to national sphere. Another is the need to reformulate the funding and delivery of the FET function. Simply transferring the function without addressing the pre-existing financing challenges could prevent the potential benefits of the function shift from being realised. The financial model must therefore be optimised, including baselines.

Table 82: Management Areas of the Migration Strategy Micro Plan

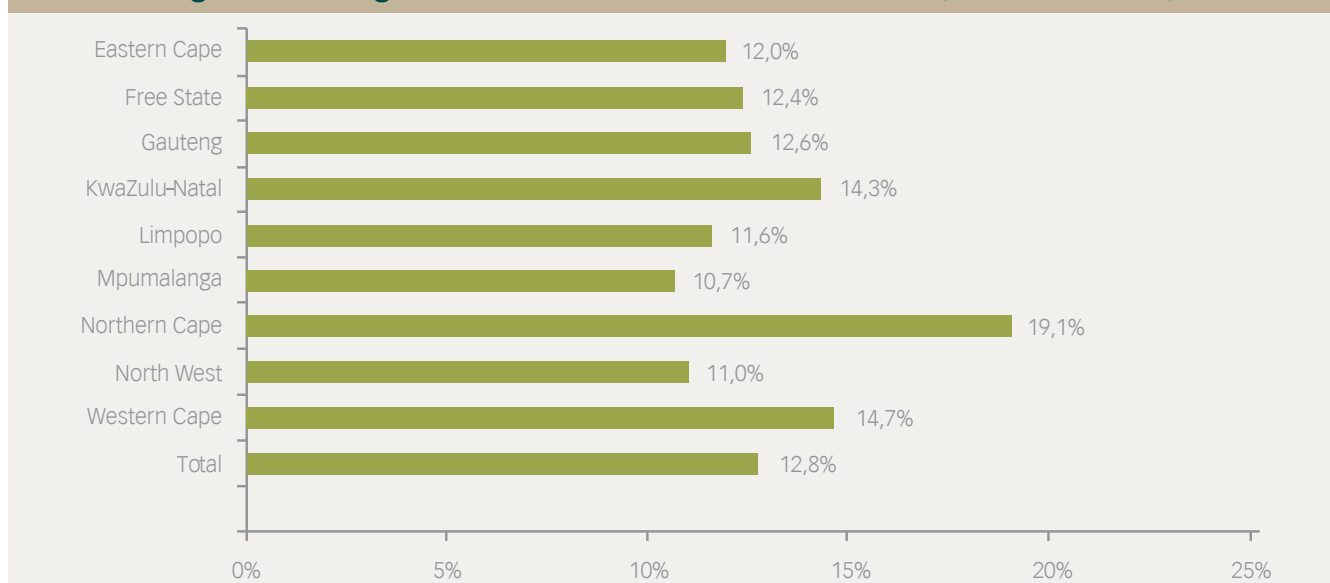
MANAGEMENT AREAS					
1. Human Resource	2. Finance	3. Governance and Management	4. Legal	5. IT and Infrastructure	6. Assets and Liabilities
1.1 Management staff 1.2 Non-management staff 1.3 Secondment of provincial staff 1.4 Transfer of provincial staff 1.5 Appointment of administrators 1.6 Post-provisioning model	2.1 Funding sources and distribution 2.2 Financial commitments 2.3 Funding norms and standards 2.4 Financial management and reporting systems	3.1 College Councils 3.2 Strategic planning, coordination and annual reporting 3.3 Operational planning for FET colleges enrolment and funding thereof 3.4 Monitoring and evaluation	4.1 Drafting and signing of Protocols	5.1 Survey of IT management and infrastructure 5.2 Setting up local area network in each province 5.3 Data management	6.1 Identification of assets (including leased assets) and title deeds for land and buildings to be transferred 6.2 Transfer of assets (including leased assets) 6.3 Register of title deeds for land and buildings

Source: DHET (2013e).

10.7.1 Assessment of Adequacy of FET Colleges Funding

Figure 41 shows the average annual growth rate of MTEF allocations to FET colleges. Over the last three years, support for colleges has grown significantly, from R3.8 billion in 2010 to R5.45 billion in 2013/14 –an increase of 43 per cent. The Northern Cape recorded the highest average annual increase in MTEF allocations (19.1 per cent), followed by the Western Cape (14.7 per cent) and KwaZulu-Natal (14.3 per cent). Mpumalanga had the lowest average annual increases (10.7 per cent), followed by Limpopo (11.6 per cent).

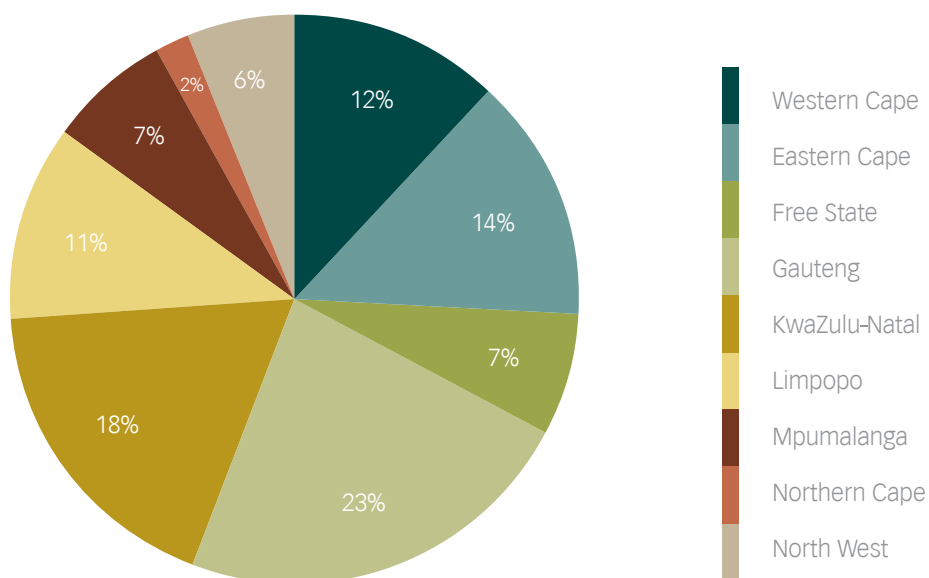
Figure 41: Average Annual Growth Rate of MTEF Allocations (2010/11–2013/14)



Source: Commission's calculations.

As Figure 42 shows, by 2015/16 the provinces projected to receive the highest portions of total MTEF allocations are Gauteng (23 per cent), KwaZulu-Natal (18 per cent), the Eastern Cape (14 per cent) and the Western Cape (12 per cent). The latest MTEF allocations and other financial allocation trends for FET college education include financial assistance to poor students, which has increased fourfold (from R318 million in 2010 to R1.7 billion in 2012).

Figure 42: Provincial Distribution of MTEF Allocation Estimates for 2015/16



Source: Commission's calculations.

The DHET has developed very sophisticated costing models to calculate the annual cost per FET programme. Historically, the DHET allocated funds to the provinces and FET colleges based on reported student enrolments and related programme costs. Provinces then determined allocations to FET colleges, and these allocations were adjusted annually by the consumer price index (CPI). The DHET had submitted various requests for additional funding to cover the growth in student enrolments and infrastructure, but with little success.

The long-term advantage of migrating FET colleges to national government is that they should be equally funded, based on their programme enrolments, and no longer depend on what funds provinces allocate to them. The research shows that provinces did not prioritise FET education equally in their budget allocations, which led to unequal participation rates in FET colleges and in provinces.

The equity of the provincial allocations was assessed by weighting the funded FTE enrolments, based on the subsidy component of the cost of the programme in 2013, as modelled by the DHET. The distribution of enrolments in the various programmes that have different costs should determine the MTEF allocations for FET college education in the provinces. Table 83 gives the programme cost obtained from the DHET (DHET, 2013f) – the cost of the programme is for one funded FTE-enrolled student. A funding weight was assigned to each programme, based on the subsidy component cost of the least expensive programme, which is the NC(V) programme in Office Administration (R23,191). The DHET funds the NC(V) programmes according to the subsidy

component of the cost of the specific programme. The Report 191 programmes are funded according to three groups: engineering programmes, non-engineering programmes and service programmes, with one rate for each group.

Table 83: Indicative Funding Weights Based on the Subsidy Component of the Programme Costs for 2013, Nc(V) and Report 191 Programmes

Programme	Total Programme Cost	College fee (20%)	Subsidy (80%)	Weight of Total Subsidy compared to base cost
Civil engineering construction	R 45 990	R 9 200	R 36 790	1.586
Drawing office practice	R 34 124	R 6 820	R 27 304	1.177
Electrical infrastructure construction	R 45 348	R 9 070	R 36 278	1.564
Engineering and related design	R 59 978	R 12 000	R 47 978	2.069
Mechatronics	R 60 808	R 12 160	R 48 648	2.098
Process instrumentation	R 43 672	R 8 730	R 34 942	1.507
Process plant operations	R 46 074	R 9 210	R 36 864	1.590
Finance, economics and accounting	R 32 426	R 6 490	R 25 936	1.118
Generic management	R 33 918	R 6 780	R 27 138	1.170
Hospitality	R 55 485	R 11 100	R 44 385	1.914
IT and computer science	R 44 446	R 8 890	R 35 556	1.533
Education and development	R 31 682	R 6 340	R 25 342	1.093
Marketing	R 29 091	R 5 820	R 23 271	1.003
Office administration	R 28 991	R 5 800	R 23 191	1.000
Primary agriculture	R 77 894	R 15 580	R 62 314	2.687
Tourism	R 42 111	R 8 420	R 33 691	1.453
Safety and society	R 29 765	R 5 950	R 23 815	1.027
Transport and logistics	R 28 923	R 5 780	R 23 143	0.998
Primary health	R 31 834	R 6 370	R 25 464	1.098
National Average for Total NC(V) Programme Cost	R 42 240	R 8 450	R 33 790	1.457

Source: DHET (2013e): 'Final Budget Allocation – FET Colleges – 11 March 2013'. Weighted FTEs calculated.

To evaluate whether funding across provinces is equitable and fair, a comparative basis is needed. This is done by calculating an allocation per weighted FTE, which is the result of dividing the 2013/14 funding allocation per province by the total weighted funded FTE enrolments. The total weighted FTEs in Table 83 comprise the funding weights of the NC(V) and Report 191 programmes, which are calculated relative to the subsidy component of the cost of the NC(V) programme in Office Administration. Table 84 shows clearly the huge differences for the various provinces, between the highest (R26,857 in the Eastern Cape) and the lowest allocation (R16,050 in Limpopo) – a difference of R10,809. The huge inequities in the allocations across provinces can be explained by the fact that the conditional grant was based on historical allocations to the provinces, adjusted only by CPI increases.

The financial implications would be huge if all the provinces were funded on the basis of the average rand value per weighted FTE. The result could be financial instability of FET colleges in

provinces where they were funded above the average value (Eastern Cape, Free State, Gauteng, Mpumalanga and the Western Cape). The only way to avoid this is to ensure that the conditional grant is increased adequately to prevent any college losing funding. In a stringent fiscal environment, a funding convergence strategy might be needed to achieve more equitable funding across provinces. This would entail higher increases for the provinces at the lowest levels – to “catch-up” with the provinces, which receive higher levels of funding – and should be funded from additional allocations.

Table 85 looks at the shortfalls in funding for FTE students. Based on the 2012/2013 enrolment plan (DHET, 2013b), the total MTEF budget for FET college education should have been R5.989 billion. However, the actual 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 shortage of R1.144 billion reflects the huge levels of underfunding in certain provinces. Provinces with the greatest shortfalls are the Northern Cape (35%), KwaZulu-Natal (34%), Limpopo (28%) and the Free State (27%).

Clearly, funding of FET colleges is inequitable and insufficient. More funding needs to be allocated to FET colleges within the provincial MTEF budgets, and 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 FET 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 more appropriate budgets were allocated to FET colleges. A more acceptable way to rectify these imbalances would be to secure additional top-up funding, which could be channelled to the provinces that are 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 FET colleges are absolutely essential.

Table 84: Summary of Calculated Weighted Funded FTEs for NC(V) and Report 191 Funded FTE Enrolments as at February 2013, per Province and Programme

Province	Weighted FTEs NC(V)	Weighted FTEs Report 191 N1 - N3	Weighted FTEs Report 191 N4 - N6	Total Weighted FTEs	2013/14 Funding Allocation	Allocation per Weighted FTE	Deviation from Average
Eastern Cape	24 864.93	816.79	3 579.03	29 260.75	R 785 866 000	R 26 857	R 6 074
Free State	9 173.82	1 173.47	4 875.54	15 222.83	R 364 705 000	R 23 958	R 3 174
Gauteng	41 670.33	3 355.24	10 030.71	55 056.27	R 1 276 429 000	R 23 184	R 2 400
KwaZulu-Natal	45 666.76	2 004.89	9 484.56	57 156.21	R 969 192 000	R 16 957	-R 3 827
Limpopo	32 573.18	817.08	4 894.11	38 284.37	R 614 458 000	R 16 050	-R 4 734
Mpumalanga	14 533.17	988.71	1 436.12	16 957.99	R 387 950 000	R 22 877	R 2 094
Northern Cape	3 980.67	210.79	1 086.47	5 277.93	R 88 392 000	R 16 747	-R 4 036
North West	13 467.40	1 239.47	1 925.90	16 632.77	R 295 004 000	R 17 736	-R 3 047
Western Cape	23 161.50	1 000.52	4 497.30	28 659.32	R 673 872 000	R 23 513	R 2 730
Total	209 091.75	11 606.97	41 809.72	262 508.44	R 5 455 868 000	R 20 784	R0

Source: DHET (2013c) Weighted FTEs calculated.

Table 85: Shortfalls in Provincial Mtef Budgets to Fully Fund Programme Enrolments (Funded Ftes) and Percentage Unfunded FTE Students (2012/13)

Province	Actual MTEF budget for 2012/13	Funded NC(V) FTE students 2012	Funded Report 191 FTE students, 2012	Total funded FTE students	Total indicative budget required 2012/13	Shortfall	Shortfall as a % of total budget	Unfunded NC(V) students	Unfunded Report 191 students	Total unfunded FTE students	% unfunded FTE students
Eastern Cape	R 699 923 000	16 118	7 844	23 963	R 767 498 306	-R 67 575 306	-9%	-1 304	-768	-2 072	9%
Free State	R 323 804 000	4 895	14 995	19 890	R 440 719 024	-R 116 915 024	-27%	-1 090	-3 658	-4 748	24%
Gauteng	R 1 133 245 000	26 194	25 824	52 018	R 1 180 033 316	-R 46 788 316	-4%	-1 180	-1 177	-2 357	5%
KwaZulu-Natal	R 858 862 000	28 769	29 209	57 978	R 1 299 044 247	-R 440 182 247	-34%	-8 071	-8 313	-16 384	28%
Limpopo	R 545 768 000	19 538	10 965	30 503	R 761 528 701	-R 215 760 701	-28%	-4 578	-2 607	-7 185	24%
Mpumalanga	R 345 285 000	8 569	6 891	15 460	R 373 363 379	-R 28 078 379	-8%	-579	-462	-1 041	7%
Northern Cape	R 78 342 000	2 433	2 773	5 206	R 120 300 902	-R 41 958 902	-35%	-765	-799	-1 564	30%
North West	R 261 789 000	8 432	3 260	11 693	R 303 224 625	-R 41 435 625	-14%	-995	-394	-1 390	12%
Western Cape	R 597 589 000	15 535	10 727	26 263	R 743 278 236	-R 145 689 236	-20%	-2 994	-2 391	-5 386	21%
Total	R 4 844 607 000	130 484	112 489	242 972	R 5 988 990 737	-R 1 144 383 737	-19%	-17 403	-14 505	-31 908	13%

Source: DHET (2013b) Final Budget Allocation 2012–13.

Having an overall picture of the financial health of the colleges is important when evaluating the effectiveness of the current framework and funding of the FET college sector. Using information from the annual financial statements (DHET, 2013a), the financial health of the FET colleges was determined by testing the following criteria for the period 2009–2011:

- Unqualified auditor’s opinions.
- Change in the value of assets.
- Change in the value of equity.
- Liquidity ratio (current assets/current liabilities).
- Percentage change in total income.
- Surplus in income over expenditure.

The analysis found:

1. Annual financial statements were provided for 48 out of 50 FET colleges. No annual financial statements were provided for two colleges in KwaZulu-Natal (Mthashana and Thekwini).
2. Eleven colleges had qualified audits.
3. Thirteen (27 per cent) colleges were not in a sound financial position, including four colleges in the Free State. The financial health of three other colleges could not be determined.
4. Of the colleges that were not in a sound financial position, 12 had a surplus below or equal to 10 per cent. The Sekhukhune FET College displayed a surplus of 29 per cent, but was still found to be in a financially unsound position.
5. Staff costs, as a percentage of government subsidies, tuition and examination fees, varied among the colleges: three colleges had staff costs of over 60 per cent – Vuselela FET College (62 per cent) in North West, Northern Cape Urban FET College (62 per cent) and Esayidi FET College (60 per cent) in KwaZulu-Natal. A matter of concern was the high percentage of staff costs at two colleges: Motheo FET College in the Free State (70 per cent) and Tshwane South FET College in Gauteng (75 per cent).
6. The majority of FET colleges depend heavily on government subsidies, and tuition and examination fees. Information concerning the fee-for-service income and other private income as a percentage of total income was available for 47 colleges. The figure was found to be below or equal to 10 per cent for 33 colleges, 11–20 per cent for eight colleges and 21–30 per cent for three colleges. Only three colleges receive more than 30 per cent of their total income from fees and other private income: Port Elizabeth FET College (39 per cent) in the Eastern Cape, Motheo FET College in the Free State (44 per cent) and the Tshwane North FET College (33 per cent) in Gauteng.

The following nine FET colleges are under currently under administration, and more are expected to follow (DHET, 2013d).

Eastern Cape - Ikhala College; Ingwe College; King Hintsa College; King Sibata College; Lovedale College

Free State - Motheo College

Gauteng - Tshwane North College

KwaZulu-Natal - Coastal College; Mthashana College

10.8 Conclusion

The FET college sector plays a vital role in the development of middle-level skills that are crucial for economic development and building an inclusive economy. As part of moving the FET functions from the provincial to the national sphere, a new funding framework for FET colleges has been introduced. The Commission is concerned about the size, distribution and impact of FET funding. The sector needs to be adequately funded in order to increase the country's skills base. The provision of FET college education has been very uneven across provinces, and so future expansions need to ensure a more equitable spread across provinces. The sector is facing governance and management problems, especially with regard to financial management. Financial accountability in the sector needs serious attention to ensure that any additional funding to the sector will be used effectively and efficiently.

10.9 Recommendations

With respect to **funding further education training (FET) colleges**, the Commission recommends that:

- The funding model for the FET sector after the function shift ensures that:
 - Baseline funding does not perpetuate past underfunding of the function in certain provinces.
 - Additional allocations are used to achieve a more equitable funding regime across the provinces.
 - Ongoing infrastructure development and maintenance are provided for.
- The transfer of the FET function to the DHET should include the development of sound systems and uniform templates for financial reporting, designed in a manner that ensures the DHET can proactively monitor the financial health of FET colleges. This should be complemented by holistic interventions to improve fiscal governance in FET colleges including recruitment of appropriate skills, ongoing training, and credible financial systems and processes.

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Appendix 1: Financial Statements, 2008–2011

Table 86: Financial Statements 2008–2011, Summary

PROVINCE	FET COLLEGES	Most recent Financial Period analysed	Auditor's Opinion	Is the FET College in a sound Financial Position	% Change in Assets' Value from previous year	% Change in Equity's Value from previous year	% Change in Total Income's Value from previous year	Surplus/ Loss as a % of Total Income	Current Assets to Current Liabilities Ratio	Staff Costs as a % of Govt Subsidy, Tuition + Examination Fees
EASTERN CAPE	Buffalo City FET College	2011	Unqualified	Yes	31%	64%	27%	17%	1.5	28%
	East Cape Midlands FET College	2011	Qualified	Yes	55%	43%	3%	77%	6.2	20%
	Ikhala FET College	2011	Qualified	Yes	37%	88%	122%	41%	5.4	25%
	Ingwe FET College	2011	Disclaimer	Yes	89%	90%	109%	42%	36.4	17%
	King Hintsa FET College	2011	Unqualified	Yes	116%	134%	92%	43%	74.6	37%
	King Sabata-Dalindyebo FET College (E)	2009	Qualified	Yes	31%	51%	-12%	3%	204.2	26%
	Lovedale FET College	2011	Unqualified	Yes	77%	143%	102%	42%	7.8	24%
	Port Elizabeth FET College	2011	Unqualified	Yes	38%	109%	134%	16%	3.1	25%
FREE STATE	Flavius Mareka	2011	Unqualified	No	40%	15%	64%	7%	1.4	39%
	Goldfields FET College	2011	Unqualified	No	21%	-3%	21%	1%	0.2	41%
	Maluti	2011	Unqualified	No	Cannot Determine	Cannot Determine	Cannot Determine	Cannot Determine	2 +	36%
	Motheo FET College	2011	Qualified	No	55%	18%	76%	10%	1.7	70%
GAUTENG	Central Johannesburg	2011	Unqualified	Yes	44%	45%	71%	35%	10.6	19%
	Ekurhuleni East FET Col	2011	Unqualified	Yes	33%	27%	26%	30%	8.2	11%
	Ekurhuleni West College	2011	Unqualified	Yes	68%	87%	119%	67%	2.6	11%
	Sedibeng FET College	2010	Unqualified	Yes	30%	32%	-2%	3%	12.1	51%
	South West FET College	2011	Qualified	Yes	130%	139%	125%	35%	31.7	44%
	Tshwane North FET Col	2009	Qualified	No	6%	4%	-20%	4%	0.8	56%
	Tshwane South FET Col	2011	Unqualified	Yes	213%	123%	191%	21%	1.1	75%
	Western FET College	2010	Unqualified	Yes	153%	154%	67%	25%	3.0	39%
KWAZULU-NATAL	Coastal FET College	2011	Unqualified	Yes	13%	12%	13%	15%	6.2	42%
	Elangeni FET College	2010	Unqualified	Yes	19%	20%	21%	18%	6.4	28%
	Esayidi FET College	2010	Qualified	No	34%	101%	-26%	7%	0.3	60%
	Majuba FET College	2011	Unqualified	Yes	29%	29%	11%	55%	21.7	54%
	Mnambithi FET College	2011	Unqualified	Yes	46%	31%	94%	20%	5.3	36%
	Mthashana FET College									
	Thekwini FET College	No Data								
	Umfolozu FET College	2011	Unqualified	Yes	108%	112%	56%	9%	6.5	47%
	Umgungundlovu FET Col	2011	Qualified	Yes	36%	12%	12%	5%	2.8	47%

LIMPOPO	Capricorn FET College	2011	Unqualified	Yes	45%	32%	20%	27%	2.4	4%
	Lephalale FET College	2011	Unqualified	Yes	15%	15%	62%	18%	35.8	41%
	Letaba FET College	2011	Unqualified	Yes	25%	38%	-4%	52%	9.4	7%
	Mopani South East FET College	2011	Unqualified	Yes	49%	96%	64%	42%	6.7	31%
	Sekhukhune FET College	2011	Qualified	No	28%	-33%	130%	29%	0.7	10%
	Vhembe FET College	2011	Unqualified	Yes	125%	106%	26%	53%	6.1	2%
	Waterberg FET College	2011	Not Stated	Yes	27%	23%	13%	34%	4.3	6%
MPUMALANGA	Ehlanzeni FET College	2011	Unqualified	Yes	50%	57%	28%	36%	6.0	40%
	GertSibande FET College (C)	2011	Unqualified	Yes	35%	33%	38%	23%	16.4	50%
	Nkangala FET College	2011	Unqualified	No	49%	43%	11%	8%	1.5	53%
NORTHERN CAPE	Northern Cape Rural FET College (B)	2010	Unqualified	Yes	9%	9%	8%	11%	22.1	11%
	Northern Cape Urban FET College (A)	2011	Qualified	No	11%	5%	14%	10%	5.3	62%
NORTH WEST	Orbit FET College	2011	Unqualified	Yes	15%	10%	-6%	20%	3.9	39%
	Taletso FET College	2011	Unqualified	No	Data incorrect	Data incorrect	88%	4%	0.7	55%
	Vuselela FET College	2011	Unqualified	No	21%	1%	68%	0%	1.4	62%
WESTERN CAPE	Boland FET College	2011	Unqualified	Yes	13%	12%	24%	17%	2.7	47%
	College of Cape Town FET	2011	Unqualified	Yes	38%	35%	15%	27%	3.0	25%
	False Bay FET College	2010	Unqualified	No	-12%	17%	6%	2%	0.7	42%
	NorthLink FET College	2011	Unqualified	No	-3%	4%	9%	2%	0.7	36%
	South Cape FET College	2011	Unqualified	Cannot Determine	18%	24%	Cannot Determine	Cannot Determine	3.7	Cannot Determine
	West Coast FET College	2011	Disclaimer	Yes	13%	41%	49%	25%	3.8	44%

Note: The table indicates the summary for the most recent AFS period for which data was provided.

Source: DHET (2013a). Annual Financial Statements for FET Colleges.

Appendix 1: Financial Statements, 2008–2011

Table 87: Annual Financial Statements 2008–2011, Income Breakdown for Most Recent AFS

PROVINCE	FET COLLEGES	Most recent Financial Period analysed	Government Subsidy %	Tuition + Examination Fees %	Fee-for-Service Income %	Other Private Income %	Total Income
EASTERN CAPE	Buffalo City FET College	2011	53%	45%	0%	2%	100%
	East Cape Midlands FET College	2011	70%	26%	0%	4%	100%
	Ikhala FET College	2011	65%	22%	0%	12%	100%
	Ingwe FET College	2011	99%	0%	0%	1%	100%
	King Hintsa FET College	2011	72%	4%	7%	17%	100%
	King SabataDalindyebo FET College (E)	2009	54%	26%	0%	20%	100%
	Lovedale FET College	2011	68%	23%	0%	9%	100%
	Port Elizabeth FET College	2011	41%	20%	0%	39%	100%
FREE STATE	Flavius Mareka	2011	65%	17%	13%	5%	100%
	Goldfields FET College	2011	43%	32%	19%	5%	100%
	Maluti	2011	85%	13%	0%	2%	100%
	Motheo FET College	2011	3%	47%	6%	44%	100%
GAUTENG	Central Johannesburg	2011	37%	53%	0%	11%	100%
	Ekurhuleni East FET Col	2011	60%	28%	6%	6%	100%
	Ekurhuleni West College	2011	66%	30%	3%	1%	100%
	Sedibeng FET College	2010	47%	36%	0%	17%	100%
	South West FET College	2011	66%	27%	3%	4%	100%
	Tshwane North FET Col	2009	32%	27%	8%	33%	100%
	Tshwane South FET Col	2011	43%	38%	1%	18%	100%
	Western FET College	2010	53%	46%	0%	2%	100%
KWAZULU-NATAL	Coastal FET College	2011	55%	30%	9%	6%	100%
	Elangeni FET College	2010	74%	24%	0%	2%	100%
	Esayidi FET College	2010	74%	17%	0%	9%	100%
	Majuba FET College	2011	52%	27%	17%	3%	100%
	Mnambithi FET College	2011	65%	28%	4%	3%	100%
	Mthashana FET College	No Data					
	Thekwini FET College	No Data					
	Umfolozi FET College	2011	70%	23%	0%	7%	100%
	Umgungundlovu FET Col	2011	52%	46%	0%	2%	100%
LIMPOPO	Capricorn FET College	2011	57%	40%	0%	3%	100%
	Lephalale FET College	2011	27%	34%	11%	27%	100%
	Letaba FET College	2011	47%	47%	0%	7%	100%
	Mopani South East FET College	2011	70%	26%	0%	3%	100%
	Sekhukhune FET College	2011	29%	39%	11%	22%	100%
	Vhembe FET College	2011	41%	55%	0%	4%	100%
	Waterberg FET College	2011	47%	50%	0%	3%	100%

PROVINCE	FET COLLEGES	Most recent Financial Period analysed	Government Subsidy %	Tuition + Examination Fees %	Fee-for-Service Income %	Other Private Income %	Total Income	
MPUMALANGA	Ehlanzeni FET College	2011	69%	28%	0%	3%	100%	
	GertSibande FET College (C)	2011	61%	16%	20%	2%	100%	
	Nkangala FET College	2011	65%	27%	0%	8%	100%	
NORTHERN CAPE	Northern Cape Rural FET College (B)	2010	13%	58%	20%	9%	100%	
	Northern Cape Urban FET College (A)	2011	38%	35%	15%	12%	100%	
NORTH WEST	Orbit FET College	2011	67%	27%	0%	6%	100%	
	Taletso FET College	2011	44%	19%	36%	2%	100%	
	Vuselela FET College	2011	56%	17%	24%	3%	100%	
WESTERN CAPE	Boland FET College	2011	38%	39%	1%	23%	100%	
	College of Cape Town FET	2011	42%	45%	0%	13%	100%	
	False Bay FET College	2010	45%	51%	0%	4%	100%	
	NorthLink FET College	2011	18%	76%	6%	1%	100%	
	South Cape FET College	2011	Cannot Determine					100%
	West Coast FET College	2011	68%	20%	2%	9%	100%	

Note: The table indicates the breakdown of income for the most recent AFS period for which data was provided.

Source: DHET (2013a). Annual Financial Statements for FET Colleges.