



**QCTO DRAFT FEE STRUCTURE POLICY FOR ASSESSMENT
QUALITY PARTNERS (AQPs)**

20 April 2011

1. Introduction

- 1.1 The Quality Council for Trades and Occupation's (QCTO) Draft Policy on Delegation of Qualification Design and Assessment to Development Quality Partners (DQP) and Assessment Quality Partners (AQP) (hereafter called the Delegation Policy), states:
"6.2 An AQP applicant must submit for consideration by the QCTO a funding model (schedule 2) aligned to the QCTO "Fee Structure Policy";
- 1.2 This is the Fee Structure Policy to which section 6.2 refers. It details the criteria against which the QCTO will assess AQP applicant's funding models.
- 1.3 This policy is premised on a three level structure:
- 1.3.1 The functions to be performed by the QCTO for which AQPs will be expected to pay;
 - 1.3.2 The functions to be performed by the AQP for which accredited assessment centres and sites will be expected to pay;
 - 1.3.3 The functions to be performed by accredited assessment centres and sites for which those being assessed will be expected to pay, (although this may be subsidized by either an employer or the state).

2. QCTO functions for which AQPs will have to pay

- 2.1 Section 9 of the Delegation Policy lists functions for which the QCTO may charge. Of these, the following are relevant for AQPs:
- 2.1.1 Evaluation of applications for delegation (9 (a));
 - 2.1.2 The accreditation of providers including the right to use the curriculum (9 (f));
 - 2.1.3 The accreditation of assessment centres and sites (9 (g));
 - 2.1.4 Certification of learners (9 (h));
 - 2.1.5 Such other service as the QCTO, after consultation, determines (9 (i)).
- 2.2 For the first phase, the QCTO plans to charge the following rates for the execution of these functions:

Delegation Policy Ref.	QCTO Function	Rates
7(a) & 9(a)	Evaluation of AQP application for delegation (per qualification)	R10 000.00
7(e) & 9(f) 7(f) & 9(g)	Accreditation of providers and programmes recommended by AQP Accreditation of assessment centres/sites recommended by AQP	Providers (institution): R10 000 Per program: R5 000 Per centre: R10 000
7(n) & 9(h)	Certification of learners recommended by AQP	Per certificate: R100
7(b) & 9(i)	QCTO annual monitoring	R8 000.00 plus actual expenses and Km traveled @ AA Rates per km.
7(b) & 9(i)	Audit – once per cycle (5 years) unless monitoring suggests more frequently	Costs to be determined (based on externally contracted auditors)

- 2.3 These rates will be reviewed on an annual basis. Any increases shall reference the inflation rate and shall not increase more than 10% per annum.
- 2.4 The QCTO may waive or reduce these fees in special circumstances at its own discretion.

3. AQP functions for which accredited assessment centres and sites will be expected to pay

- 3.1 The functions to be performed by an AQP are listed in the Delegation Policy in section 5.1 ((a) – (t)) and 5.2.
- 3.2 The AQP applicant must elaborate its proposed assessment model and use it to translate the list of functions specified in the Delegation Policy in sections 5.1 ((a) – (t)) and 5.2 to its environment.

3.3 The AQP must detail an estimated cost for the execution of each of these functions which it is required to perform under the Delegation Policy. The cost of each function should be shown against a five year projected implementation plan – as it is not expected that all of the functions will be performed in the first year.

3.4 The AQP must then show how it might reduce the fees it shall charge to assessment centres and sites by using income it receives from other sources such as:

3.4.1 Income from voted funds from the state, where applicable.

3.4.2 Income from AQP membership fees, where applicable. This will be applicable to professional bodies and other bodies that have a paying membership fee.

3.4.3 Other income to be specified.

3.5 Derived from the above, the AQP must specify, with motivation, the fees it plans to charge for the execution of the following functions:

Delegation Policy Ref.	AQP Function	R, c
5.1 (g) & (h)	Recommend to QCTO assessment centre registration	To be specified
5.1 (i)	Recommend to QCTO the accreditation of skills development providers	To be specified Institutions: Programmes:
5.1 (j)	Verify workplace approval systems	To be specified
5.1 (m)	Recommend certification of learners to QCTO	To be specified
5.1 (t)	Moderation of assessments (NOTE: at least 10% of learner assessments must be moderated)	To be specified
5.1 (u)	Establish and maintain a register of accredited assessors	To be specified
Other	Specify and motivate	To be specified

3.6 The following principles will inform the QCTO when it evaluates the proposed fee structure:

- 3.6.1 The AQP applicant must be a non-profit entity;
- 3.6.2 Where the AQP has a fee-paying membership base, it will be expected that this income will be used to subsidize the performance of the functions of the AQP;
- 3.6.3 If the AQP has alternative sources of income, these must be used to subsidize the performance of the functions of the AQP. Where SETAs apply to perform the function of an AQP, a significant proportion of their costs shall be met by levy income.
- 3.6.4 The proposed fee structure should be affordable to a demonstrated sample of centres and sites (evidence of this should be presented such as the results of a survey of potential centres or sites).

4. Assessment centre/site assessment functions for which those being assessed (or those subsidizing them) will be expected to pay

- 4.1 The functions to be performed by accredited assessment centres and sites are:
 - 4.1.1 Conduct external summative assessment of learners;
 - 4.1.2 Internal moderation of learner summative assessments;
 - 4.1.3 Recommend certification of learners to the AQP.
- 4.2 To conduct these functions the assessment centre or site will have to perform a range of management functions which need to be 'embedded within' the assessment fee. These should be listed.
 - 4.2.1 Given that the AQP and not the assessment centre is the applicant to the QCTO, it is the responsibility of the AQP to calculate the actual cost of conducting a single external summative assessment.
 - 4.2.2 A guideline for the calculation of the cost of an assessment is annexed to this policy (**Annexure A**). An AQP applicant must either follow this guideline or motivate why it is not applicable and present an alternative model for interrogation.

4.2.3 The QCTO reserves the right to determine the fairness and affordability of any alternative funding model presented. The QCTO has the sole prerogative to make a determination on this matter, although it must meet the AQP applicant for a full briefing before arriving at such a final determination. Where necessary, the QCTO will publish, for public comment, the proposed fee structure of an AQP applicant.

4.2.4 Where the cost of conducting an RPL assessment is different from the above, a similar breakdown for RPL assessments must be given, together with an estimate of the number of RPL assessments to be conducted per annum over an initial five year period.

4.3 The total cost of an assessment needs to be recovered from one of two sources: the learner or the learner's employer. When calculating the amounts to be paid by each, the following guideline must be taken into account:

4.3.1 Learners:

4.3.1.1 Unemployed learners must be able to undertake the first assessment for free. Subsequent assessments may be charged at a nominal fee;

4.3.1.2 Employed learners may be charged on the assumption that the first assessment shall be fully subsidized by their employer. Subsequent assessments may require the learner to contribute on a rising scale.

4.3.2 Employers

4.3.2.1 Where the state is the employer or where the state is funding a public programme on which the learner has gained the skills needed to be assessed, then the state must pay for the assessment;

4.3.2.2 Where the employer is a large or medium sized employer, it is assumed they will pay for the assessment and may qualify for a refund or subsidy from their SETA. .

4.3.2.3 Where the employer is a small employer then the cost of the assessment may be shared between the learner and the employer by agreement if the employer cannot claim from any SETA because

they are not a levy payer. Where a small employer is able to receive a grant from a SETA to recover the cost of the assessment, then the employer shall pay the assessment fee of the learner.

4.4 The AQP applicant must then submit the following fee structure table for each qualification for which it seeks delegation, specific amounts must be filled in:

QUALIFICATION (specify) – assessment cost					
Learner category	Cost to employer		Cost to learner	Other subsidies - specify	RPL
	Private/SETA	Public			
Unemployed (no employer)			0%		
Employed (private):					
– Large					
– medium					
– small					
Employed (public):					
– govt. dept					
– public entity					
– public programme			0%		

4.5 Where an AQP applicant proposes to use different allocation ratios this needs to be motivated.

4.6 A rising scale of costs to the learner can be specified for repeated assessments

- 4.7 The above exercise must be conducted for each qualification for which the AQP applicant is applying to have delegated functions.
- 4.8 A survey of key employer groups and state departments affected by this fee structure should be conducted to establish its viability. Evidence of such a survey should be presented to the QCTO by the AQP applicant on application.
- 4.9 The following principles shall inform the QCTO when it evaluates the fee structure to be charged to the public:
- 4.9.1 The assessment function must be performed on a non-profit basis;
 - 4.9.2 The fee charged to the learner must be set at a level that does not constitute a barrier for learners, and for all unemployed learners the cost of the first assessment to the learner must be free.
 - 4.9.3 The assessment and certification of employed learners should be subsidized at agreed levels by employers (or the state), according to specified employer categories. SETA grants may offset these costs for employers.
 - 4.9.4 Fees for RPL assessments should be separately specified for both unemployed and not-economically-active candidates as well as for employed candidates.
 - 4.9.5 Evidence is presented that shows that the proposed fee structure is acceptable to those who are likely to have to pay.

ANNEXURE A

GUIDELINE FOR THE CALCULATION OF ASSESSMENT COSTS

1. Introduction

The QCTO is responsible to ensure that the fees that AQPs and their accredited assessment centres and sites charge are reasonable and affordable. The guideline presented below gives AQP applicants a basis from which to work in determining such a fee structure. The public is requested to carefully interrogate this model and advise the QCTO on its usefulness. Kindly note however that the guideline is not given as a prescription. Applicant AQPs are free to propose alternative funding models, but these shall be carefully interrogated for fairness and affordability to the clients the AQP applicants plans to serve. As indicated in paragraph 4.2.3 above, the QCTO will reserve the right to publish, for public comment, the proposed fee structure of any AQP applicant that puts forward a fee structure.

2. Assessment Fee Formula

The Assessment Fee Formula is as follows:

$$X = \frac{Y}{(1 - K)} \times (1 + W)$$

$$Y = \frac{C(PPI)}{Ae} + \frac{[E + P(PPI) + S(CPI) + 0,20\{E + P(PPI) + S(CPI)\}]}{Apm}$$

X	= Assessment Fee
E	= Monthly assessment related capital equipment costs
C	= Assessment related consumable costs
P	= Monthly premises cost (cost per m ² x area required)
S	= Assessor fee
K	= Other fixed cost as a percentage of the total assessment fee (0,121)
Ae	= Assesseees per qualification x days of assessment duration
Apm	= Assesseees per qualification x 17,83 days
PPI	= Production Price Index (2010: Base year = 100)
CPI	= Consumer Price Index (2010: Base year = 100)
W	= Percentage profit (0,0)

3. EXPLANATION OF THE FORMULA ELEMENTS

3.1 Monthly assessment related capital equipment cost (E)

3.1.1 Basis of determination

Type and quantities

The assessment capital requirements are done, based on:

- o The tasks specified in the 'External Summative Assessment of Occupational Qualification or Part Qualification specification document;
- o Information gathered from people who have conducted assessments for the same, similar or related qualifications or part qualifications registered on the NQF (or where not registered, then demonstratively equivalent);
- o The given assessee ratio assuming 100% assessee attendance; and
- o The judgment of the AQP applicant for the assessment costing task.

Prices

Market related prices are used by contacting major suppliers.

3.1.2 Calculation

The method used in calculating the monthly equipment cost is to amortise the equipment cost on a lease basis. This method of calculating the cost is appropriate as it:

- Simplifies calculations
- Includes the finance cost element
- Accommodates interest rate adjustments
- Provides for repairs and maintenance costs
- Is more market related as the cost is based on current prices
- Eliminates the complexities of calculating depreciation, finance cost and repairs and maintenance cost, and
- Is objective and provides a marketable cost irrespective of the method of financing the equipment i.e. outright purchase, hire purchase, etc.

The monthly lease cost is determined using:

- The prime overdraft interest rate
- An acceptable lease period, using the Receiver of Revenue guideline, and
- The present value being market related prices of the equipment multiplied with the quantity of equipment required.

3.2 Assessment related consumable cost (C)

3.2.1 Basis of determination

Type and quantities

The assessment consumables are done, based on:

- The tasks specified in the 'External Summative Assessment of Occupational Qualification or Part Qualification specification document;
- Information gathered from people who have conducted assessments for the same, similar or related qualifications or part qualifications registered on the NQF (or where not registered, then demonstratively equivalent);

- The given assessee ratio assuming 100% assessee attendance;
- The assessment duration as specified in the 'External Summative Assessment of Occupational Qualification or Part Qualification specification document;
- Market related information, and
- The judgment of the AQP applicant for the assessment costing task.

Prices

Market related prices are used by contacting major suppliers.

3.2.2 Calculation

The total assessment consumable cost is arrived at by multiplying the quantities by the determined unit cost.

3.3 Monthly premises cost (P)

3.3.1 Basis of determination

Area required per assessment

The floor space required per course is determined with reference to:

- The current floor-space used at the centre or other centres where equivalent assessments are undertaken (on a sample basis when needed)
- The Neufert (architectural lay-out) hand book, prescribe the optimum space required
- The given assessee ratio assuming 100% assessee attendance. The space required is for the total number of attendees – refer to point 3.7 below
- The underroof area/s used to undertake the assessment
- Market related information, and
- The judgment of the AQP applicant for the assessment costing task.

Rent per square metre

The rates prescribed by the Rode Report, which is regularly published (quarterly) and used by the South African Institute of Estate Agents and all other commercial, residential and industrial property owners and developers, is the most acceptable cost per square metre (M²) to be used.

3.3.2 Calculation

Area required per assessment

The area required per assessment is determined by multiplying the space needed per assessee, as determined, with the given number of assessees, assuming 100% attendance.

Rent per square metre

The average rent per m² is calculated taking the following into account:

- The secondary industry rent where the majority of assessment centres are situated
- The average rental for the area of premises required as determined by the area required per assessment and secondary industrial rent. The Rode report provides figures for average size premises with accompanying rental, i.e. the larger the area the cheaper the rental per square metre, and
- The average between the urban and rural premises rental.

The monthly premises cost is calculated by multiplying the rent per m² with the area required per assessment.

3.4 Monthly assessor fee

The monthly assessor remuneration, as determined, is the total cost package. This includes *inter alia*, pension fund contributions, medical aid payments, bonuses and other cash remuneration.

Market related total remuneration cost packages are determined in accordance with the Personnel Job Evaluation System, which is in use by most of the Management Consultancy firms specializing in Human Resources consulting.

The assessor grades are determined by:

- o Establishing the qualifications and level of training and experience needed to do the assessment as prescribed in the 'External Summative Assessment of Occupational Qualification or Part Qualification specification document.
- o Reference to the current method of assessor grading; and
- o The current qualification and experience of the assessors employed, as obtained from existing assessment centres and sites.

3.5 Ratio of 1:5 (Administrative: Assessor) (0,20)

3.5.1 Basis of determination

The administrative / operational staff cost ratio of 1:5 was determined as a result of an investigation conducted by Coopers and Lybrand in 1994 of various organizations in the training sector and by comparison with other similar organizations. The outcome of the investigation displayed a minimum and a maximum ratio of 1:2 and 1:9 respectively. The average, however, was calculated at 1:5, while the median was 1:4,5.

3.5.2 Impact of the formula

Remuneration cost

Administrative salaries and wages are assumed to be 20% of the instructor salaries and wages.

Premises and Equipment

Office space and administrative equipment has been allocated to fixed costs in the same ratio of 1:5, used in the allocation of administrative salaries and wages. This assumption is based on the presumption that the size of administrative space and the scope of investment in equipment in the assessment organization ought to be staff driven.

3.6 Other fixed cost as a percentage of the total assessment fee (0,121)

3.6.1 Basis of determination

Other Expenses

The following list was arrived at following research done which found the following trends in administrative expenses, excluding administrative salaries, office rent and equipment cost. This list was deemed representative, namely:

Cost items	Average percentage of total assessment fees
• Advertising and promotions	1,0
• Audit, accounting and data-processing	0,6
• Bank charges	0,4
• Contingency expenses	0,4
• Insurance and security	1,8
• Printing and stationary	0,3
• Staff development	1,0
• Training promotion (levy)	0,1
• Communication	1,4
• Office consumables	0,1
Total	7,1 %

The research was done in 1994 and the QCTO will conduct a review of the findings in due course.

Water / Electricity and Subsistence / Travelling Costs

Research has found an inverse relationship between water / electricity and subsistence / travelling costs.

The reasons for this phenomenon is that assessment centres doing more mobile assessments spend more on subsistence and less on water and electricity. It was found that expenditure on subsistence and travelling by far exceeded expenditure on electricity and water. These costs are treated as one variable.

The water / electricity and subsistence / travelling cost as a percentage of the total assessment fees are presented below .

Percentage of assessors involved in mobile assessment	Percentage of course fees
80%	8%
60%	6,5%
40%	5%
20%	3,5%
None	2%

It is recommended that the average of the above table, namely 5%, should be used in the calculation of the course fees, irrespective of the extent of mobile training provided.

This measure is suggested in order to simplify the formula.

3.6.2 Calculation

The total other fixed cost, expressed as 0,121 (12,1%) was arrived at by adding the so called other expenses (7,1%) and the average water / electricity and subsistence / travelling costs (5%).

3.7 Assessee per assessment X days of assessment duration (Ae)

In the calculation of the assessment fee the number of assessees per assessment and the assessment duration was based on the maximum assessee / assessor ratio. This does not take into account evidence that there is, on average, a 5% absondment rate.

3.8 Assesseees per assessment X 17,83 days (Apm)

The average working days per month as applied in the formula, namely 17,83 has been arrived at by dividing 214 operational days per annum by 12 months. This was determined as follows:

Number of days per annum		365
Less:		
Week-end days (52 x 2)		104
Public holidays (approved)	12	
Provision for sick leave (working days)		10
Provision for annual leave (working days)	<u>20</u>	<u>144</u>
		219
Provision for training *		5
		<u>214</u>

The average working days per month based on 214 days per annum would be 17,83.

* - These days allow for annual continuing professional development of assessors and moderators.

3.9 Inflation: PPI and CPI

The CPI figures are obtained from the SA Reserve Bank. Currently the base year used by the SA Reserve Bank for the PPI is 2000 i.e. 2000 = 100, while for CPI is 2008, i.e. 2008 = 100.

It has to be noted that the PPI figures provided by the SA Reserve Bank and the Stats SA have been adjusted in order to exclude mining and quarries production activities, as well as any imported goods, since all the course related and administrative inputs are locally available and not of a mining nature.

Direct course consumables and premises will be increased annually by the Production Price Index (PPI) while staff costs will be increased by the Consumer Price Index (CPI).

It is not desirable to assume that inflation of production and salary costs will increase automatically as such projections contribute inflation and inflationary expectations. However, this is the most commonly used way in which production and staff cost increases are projected, and can therefore be used for determining future assessment fees.

3.10 Percentage profit

The formula for determining assessment fees does not make provision for a percentage profit.

The current coursefee formula as developed therefore reimburses only the training cost.
