**12. REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING ON THE STRATEGIC PLAN 2015/16 – 2019/20 AND ANNUAL PERFORMANCE PLAN (APP) 2017/18 OF THE CHEMICAL INDUSTRIES EDUCATION AND TRAINING AUTHORITY (CHIETA), DATED 09 MAY 2018**

The Portfolio Committee on Higher Education and Training having considered the Strategic Plan 2015/16 – 2019/20 and Annual Performance Plan (APP) 2017/18 of CHIETA on 22 November 2017, reports as follows:

**1. Introduction and background**

The Strategic Plan 2015/16 – 2019/20 and Annual Performance Plan 2017/18 of CHIETA was referred by the Speaker of the National Assembly to the Committee for consideration and reporting. The Committee could not assess the Strategic Plan and the 2017/18 Annual Performance Plan of CHIETA on 7 June 2017 due to the absence of the Chairperson of the Board and Chief Executive Officer (CEO). The Committee resolved to consider the Strategic Plan and APP upon availability of the accounting authority.

The Sector Education and Training Authorities (SETA) were established in terms of the Skills Development, 1998 (Act No. 97 of 1998) (as amended) with the mandate to promote skills development for the education and training sector. The Minister of Higher Education and Training relicensed the SETAs for two years from 1 April 2016 to 31 March 2018 to operate within the skills development framework as articulated in the National Skills Development Strategy (NSDS) III framework and other policies and strategies. The SETAs are public entities that fall under Schedule 3A of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) and they are funded through the 1 per cent levy income paid by employers to the South African Revenue Service (SARS).

**2. Mandate of the Committee**

Section 55(2) of the Constitution of the Republic of South Africa, stipulates that the National Assembly (NA) must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) national executive authority, including the implementation of the legislation; and (ii) any organ of state.

The Committee oversees the implementation of the following Acts:

Higher Education Act, 1997 (Act No.101 of 1997), National Student Financial Scheme Act, 1999 (Act No. 56 of 1999), Continuing Education and Training Act, 2006 (Act No. 16 of 2006), National Qualifications Framework Act, 2008 (Act No. 67 of 2008), Skills Development Act, 1998 (Act No. 97 of 1998), Skills Development Levies Act, 1999 (Act No. 9 of 1999) and General and Further Education and Training Quality Assurance Act, 2001 (Act No. 58 of 2001). The Department of Higher Education and Training oversees the SETAs in terms of the Skills Development Act and the Skills Levies Act.

The Public Finance Management Act, 1999 (Act No. 29 of 1999) Section 27 (1) states that the Minister must table the annual budget for a financial year in the National Assembly before the start of that financial year. It further provides in Section 27 (4) that when the annual budget is introduced in the National Assembly (NA) or at a provincial legislature, the accounting officer of each department must submit to Parliament or provincial legislature, as may be appropriate, measurable objectives for each main division within the department’s vote.

The 2015/16 – 2019/20 Strategic Plans and the 2017/18 Annual Performance Plan of CHIETA had been referred together with all Annual Plans of the SETAs to the Committee for consideration and reporting. Therefore, the Committee reports in terms of Rule 166 of the National Assembly Rules.

**3. Purpose of the report**

The purpose of this report is to account for the work done by the Portfolio Committee on Higher Education and Training during assessment of the Strategic Plan 2015/16 – 2019/20 and Annual Performance Plan (APPs) 2017/18 of the Chemical Industries Education and Training Authority. The report further makes financial and non-financial recommendations for consideration by the Minister responsible for the Department.

**4.** **Method**

In preparation for the review process, the Committee considered key policy documents that inform the work of the SETAs. The policy documents are: the National Development Plan (NDP), and the 2014-2019 Medium Term Strategic Framework (MTSF), the National Skills Development Strategy (NSDS) III, the National Skills Accord, the 2017 State of the Nation Address, the report by the Auditor-General of South Africa (AGSA) on the audit outcomes of the SETAs 2017/18 APPs, the National Treasury Framework for Strategic Plans and Annual Performance Plans and the National Treasury Instruction No 02 of 2016/17 on cost containment measures.

**5. Overview and assessment of the Strategic Plan 2015/16 – 2019/20 and Annual Performance Plan 2017/18 of CHIETA**

**5.1. Programme 1: Administration**

The purpose of this programme is to instil and maintain a culture of good governance within CHIETA. For the 2017/18 financial year, CHIETA planned to maintain an unqualified Audit Report at the end of 2017/18; to ensure the effective functioning of the CHIETA’s five (5) governance and constitutional structures; to ensure the planned CHIETA annual admin budget to be a 10 per cent reduction; to have one Information and Communication Technology (ICT) Strategy and ICT Governance framework in support of CHIETA’s Annual Performance Deliverables; to have effective functioning of CHIETA’s quality management systems (QMS) structures: six QMS Steering Committee meetings; to have an effective functioning of CHIETA’s risk management framework; to have a capacitated CHIETA organisational structure with aligned performance agreements; to have one (1) per cent of labour cost on staff training, and to ensure adherence to costs containment measures as per National Treasury Regulations.

**5.2. Programme 2: Research and Skills Planning**

The purpose of this programme is to have a professional and credible skills development planning tool for the chemical industry articulating sector realities and needs and agreed sector strategies to address skills needs. This programme implements Goal 4.1 of the National Skills Development Strategy (NSDS) III: *Establishing a credible institutional mechanism for skills planning*.

The Sector Education and Training Authorities (SETAs) play an important role in gathering statistics and other relevant information on labour market skills needs and training and communicate recent emerging trends, as well as to develop solid baseline indicators. Such information is essential in planning to meet the country’s skills needs and guiding investment in education and training provision.

In establishing a credible institutional mechanism for skills planning, CHIETA planned to implement a total of 617 interventions in support of a quality Sector Skills Plan. These interventions include, among others: providing one annual Workplace Skills Plan and Annual Training Report data analysis and reporting; ensuring 10 research reports inclusive of research partnerships are formed; updating and maintaining of the nine Sub-Sector Chamber Skills Plans; maintaining one Track and Trace System for graduates in the sector; ensuring that the Sector Skills Plan (SSP) is well researched to provide a credible institutional mechanism for skills planning; providing funding support to 22 master graduates, three doctorate graduates, three Post-Doctorates in support of the Minister’s target, and to provide funding support to three industry and University partnerships; providing mandatory grants support to 114 large companies, 150 medium and 300 small companies. This would contribute to sustainability and increase in value proposition and impact of the Sector Skills Plan for the Chamber Sector and economic growth of the country.

**5.3. Programme 3: Occupationally Directed Programme**

The purpose of this programme is to ensure continuous training of the chemical industry workforce through mid-level skills need and apprenticeship training and addressing of high level national scarce skills through work ready graduates from Higher Education Institutions (HEIs0. This programme will also address the low level language and numeracy, supporting co-ops, non-governmental organisations (NGOs) and small enterprises, increasing public capacity for improved service delivery, building career and vocational guidance and addressing the medium term strategic priorities of government.

This programme implements seven of the eight Goals of the National Skills Development Strategy (NSDS) III as follows:

**5.3.1. Goal 4.2: Increasing access to occupationally-directed programmes**

The NSDS seeks to ensure that middle and high-level skills are identified and addressed in all the sectors. All the SETAs had planned to fund skills development interventions to have learners entering scarce and critical skills training programmes in their respective sectors. These include learners entering and completing artisan development programmes, learners entering and completing undergraduate and post-graduate studies at universities, learnerships, and learners completing artisan development programmes, funding of lecturer development at universities, funding of researchers through bursaries and scholarships.

For the 2017/18 financial year, CHIETA planned to provide funding support to have: 2 400 unemployed entering learnerships (non-artisan) programmes; 50 unemployed entering bursaries (continuing learners); 530 unemployed entering internships/workplace experience and 1 350 unemployed entering skills programmes. CHIETA would also ensure that 1 200 unemployed learnerships are certified (non-artisan); 25 unemployed bursaries are certified, unemployed internships/workplace experience are certified and 675 unemployed skills programmes are certified.

With regard to artisan development, CHIETA planned to provide funding support to have 1 830 learners entering artisans programmes and to ensure that 479 artisan learners are certified. CHIETA planned to provide funding support to have 130 Higher Education and Training (HET) students entering work-integrated learning; ensuring 65 HET work-integrated learning are certified, provide funding to support 30 learners entering candidacy programmes and ensuring that the candidacy programme is sustained for completion; provide funding to 850 learners entering Recognition of Prior Learning (RPL) and to provide funding support to 130 SETA/employer participation programme.

**5.3.2. Goal 4.3: Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities**

The SETAs are required to identify and partner with TVET Colleges to offer vocational courses and work experience for college learners, learnerships, apprenticeships, experiential training, and work-based placement for TVET lecturers. The MTSF had set a target of 140 000 of work-based training opportunities for TVET Colleges and Universities of Technology students. The SETAs had planned to identify and collaborate with TVET Colleges to, introduce qualifications that responds to their sectors, TVET College lecturer development, to strengthen the current TVET College offerings, and placement of students and lecturers in the workplace.

For this goal, CHIETA planned to provide funding support to 800 TVET graduates to enter work experience programmes; to ensure that 400 TVET graduate workplace experience learners complete the programmes; to provide funding support to 18 TVET College Campus partnerships; to provide funding support to 70 TVET lecturers entering the management capacity building and to ensure 35 TVET lecturers complete management capacity building programmes.

**5.3.3. Goal 4.4: Addressing the low-level of youth and adult language and numeracy skills to enable additional training**

This goal seeks to address the low level of youth and adult language and numeracy skills to enable additional training, thereby ensuring that a national strategy is in place to provide all young people leaving school with an opportunity to engage in training or work experience, or improve their employability.

In addressing the low level of youth and adult language and numeracy skills to enable additional training, CHIETA will provide funding support to 250 learners to enter Adult Education and Training (AET) and bridging and foundation programmes for Higher Education and Training; ensuring that 125 learners in AET programmes are certified; to provide funding support to 200 learners entering in science and / or maths bridging programmes (Second Chance) and provide funding support to 70 leaners assisted with Matric to obtain university entrance.

**5.3.4. Goal 4.5. Encouraging better use of workplace-based skills development**

The skills development interventions in this area seek to address the low productivity in the workplace as well as a low transformation of the labour market and lack of mobility of the workforce.

CHIETA planned to have provide funding support to: 1 900 employed learnerships to enter non-artisan programmes; 80 entered employed bursaries, 3 500 employed skills programme entered. CHIETA planned to ensure that: 875 employed learnerships are certified (non-artisan); 40 employed bursaries are certified (continuing learners) and1 750 employed skills programmes are certified.

**5.3.5. Goal 4.6. Encouraging and supporting cooperatives, small enterprises, worker-initiated, non-governmental organisations (NGOs) and community training initiatives**

The NSDS seeks to ensure that the skills development interventions are not meant to train people to look for jobs only, but to also ensure that these interventions empowers people to create opportunities to make a living themselves and provide sustainable livelihood to the majority of the South African citizens. This would also contribute to a workforce that is better able to understand the challenges facing the economic sectors in which they operate.

For the 2017/18 financial year, CHIETA will provide funding support to: 30 co-operatives; 100 small business, 45 Non-Governmental Organisations (NGOs) and Community Based Organisation (CBOs) and five (5) worker initiated training interventions.

**5.3.6. Goal 4.7: Increasing public sector capacity for improved service delivery and supporting the building of a developmental state**

This goal supports the 2014 – 2019 Outcome 6.12: An efficient, effective and development-oriented public service. SETAs have set targets to provide skills interventions to improve the capacity of the state in delivering the services. The skills interventions are to train the employees in the public service. This would be done through funding for bursaries and other skills development programmes relevant to address the needs of the public services.

In increasing public sector capacity for improved service delivery and supporting the building of a developmental state, CHIETA will provide funding support to one public sector partnership.

**5.3.7. Goal 8: Building career and vocational guidance**.

This goal seeks to ensure that the skills development system dedicates necessary resources to support career and vocational guidance, as this has proved to be a critical component in successful skills development worldwide. The SETA planned to develop and distribute career development guides and to host career guidance events.

To build career and vocational guidance, CHIETA planned to disseminate one CHIETA career guide, inclusive of maths and science guide; implement a total of six (6) career guidance events and to maintain annual partnerships support to three annual professional bodies in vocational and career guidance.

**5.3.8. Other programmes implemented by CHIETA in support of the Medium-Term Strategic priorities of government.**

In supporting cross cutting government priorities, CHIETA planned to have five (5) projects in support of government’s medium term priorities and to provide funding support to 10 rural development projects that would be planned and implemented.

**5.4. Programme 4: Learning Programme Development Implementation / Quality Assurance**

The purpose of this programme is to ensure the sustainability of the chemical accreditation of service providers, the curriculum development of qualifications and the acceleration of certification. For the 2017/18 financial year, there are three targets to be implemented and they are as follows: to have 70 workplaces approved; to have 300 skills programme leaners certificates issued for chemical industry and to have 175 assessors and moderators registered.

**5.5. Alignment of the Strategic Plan and Annual Performance Plan with the National Treasury Strategic Plan and Annual Performance Framework.**

The Framework requires that entities in developing their strategic plans and annual performance should conform to the technical to a structure and there are core elements that are to be included in the plans. These core elements are: Part A: for this part, the entity should in the strategic plan have a vision, mission, values, legislative and other mandates, situation analysis, strategic outcome oriented goals, SMART impact and outcome statements with 5-year targets. Part B is about programmes and sub-programmes and it should have programme purpose, strategic objectives, resource considerations and risk management. Part C should detail how the plan links to other plans like the national policy priorities.

For the APP, Part A should include updated situation analysis, revisions of legislative and other mandates and overview of budget estimates and the Medium-Term Expenditure Framework. (MTEF). Part B should detail the programmes and sub-programmes, programme purpose, for each programme, reconciling performance targets and budget, SMART annual and MTEF targets for strategic objectives, programme performance indicators with SMART annual and MTEF targets and quarterly targets for indicators. Part C should detail the links with other plans.

The Strategic Plan 2015/16 – 2019/20 and APP 2017/18 of the Chemical Industries Education and Training Authority (CHIETA) meet the technical requirements as prescribed by the National Treasury Framework. The Auditor-General of South Africa (AGSA) audited the 2017/18 Annual Performance Plan of CHIETA and there were findings against the APP.

**5.6. Overall budget allocation and expenditure estimates: 2017/18 financial year**

For the 2017/18 financial year, CHIETA’s total income amounts to R529 million. The budget increased by 5 per cent from R504 million in 2016/17. CHIETA’s total income is expected to increase to R555 million and R594 million in 2018/19 and 2019/20 respectively. Income from the skills development levies increased by 7.2 per cent (R33.5 million) from R465 million in 2016/17, while income from non-tax revenue decreased by R8.3 million from R38.5 million in 2016/17.

In terms of expenditure estimates, the total expenditure for 2017/18 amounts R529 million. This is made up of the allocation for expenditure on discretionary grants which amounts to R369 million and R94 million for mandatory grants. The expenditure on discretionary grants represents a 69.8 per cent of the total projected budget of CHIETA. The projected allocation for expenditure on mandatory grants (R94 million) is the second largest expenditure item. This represents 17.8 per cent of the total projected budget of CHIETA.

The administration budget for 2017/18 amounts to R65.5 million. This would result in a zero net surplus/deficit. The projected expenditure on goods and services amounts to R27 million, of which the bulk, which amounts to R12.6 million is the projected expenditure for consultants, contractors and special services. The allocation for expenditure on consultants, contractors and special services has decreased from R16 million in 2016/17 to R12.6 million in 2017/18. The allocation for expenditure on compensation of employees amounts to R37.9 million for the 2017/18 financial year.

**6. Observations**

The following formed part of the key observations from the Committee:

6.1 The Committee noted that the country was in need of skilled and suitably qualified artisans to meet the NDP objective of producing 30 000 artisans per annum by 2030, and CHIETA’s skills development interventions should be directed towards meeting this objective.

6.2 The Committee expressed a concern about the high unemployment rate of TVET college graduates and this was also compounded by inadequate work-integrated learning opportunities.

6.3 The inadequate partnerships between TVET colleges and SETAs was noted as a concern. CHIETA indicated that partnerships with TVET colleges were challenging since some of them did not have adequate capacity to implement the SETA’s skills development programmes.

6.4 The Committee expressed a concern about the delays in the filling of the Chief Executive Officer (CEO) post on a permanent basis.

6.5 The Committee expressed a concern about the uncertainty with the new SETA landscape which also contributed to the high attrition of senior managers in the SETAs, and also delayed the appointment of permanent CEOs.

6.6 The inadequate coordination of skills development interventions by SETAs was noted as a concern including the duplication of work amongst them. The Committee also expressed a concern about the lack of a centralised and easily accessible bursary management office of the SETAs.

6.7. The Committee expressed a concern about the projected increase in the legal and advertising fees for the 2017/18 financial year, which CHIETA noted that the increase was due to the legislated lifespan of the SETAs ending on 31 March 2018. It was anticipated that additional expenditure would be incurred in 2017/18 in the areas of advertising and legal fees, as well as the potential transfer of assets and liabilities in the event of closure of the entity.

**7. Conclusion**

The Committee welcomed the Strategic Plan and APP 2017/18 of CHIETA and it was in line with the Treasury regulations for the development of strategic plans. The Committee commended CHIETA for dedicating 93 per cent of its budget to occupationally directed programmes and its commitment to provide work integrated learning opportunities to graduates from higher education and training institutions. The Committee was seriously concerned about the delays in the appointment of the permanent CEO of CHIETA, and this challenge affected other SETAs, due to the delays in the finalisation of the new SETA landscape by the Department.

**8. Recommendations**

The Committee recommends that the Minister of Higher Education and Training consider the following:

* The Department should consider the merger of various SETAs to improve their efficiency.
* The CHIETA should furnish the Committee with a more detailed presentation about their finances next time they appear before it.
* The SETA landscape that is set to elapse in 2018 must be brought to a conclusion. All outstanding matters: such as uncertainties about the new SETA landscape and the delays of filling of posts particularly Chief Executive Officer (CEO) posts must be finalised.
* The Department in working with the SETAs and TVET colleges ensure that it embarks on capacity development programmes that will assists colleges to implement SETA skills development programmes.

Report to be considered.