**Report of the Portfolio Committee on Higher Education, Science and Innovation on the Consideration of the Revised 2020 -2025 Strategic Plans and the 2022/23 Annual Performance Plans (APPS) of the National Skills Fund (NSF) and Local Government Sector Education and Training Authority (LGSETA), Dated 15 June 2022**

1. **INTRODUCTION AND MANDATE**

The Portfolio Committee on Higher Education, Science and Innovation (“Committee”), having considered the Revised 2020 – 2025 Strategic Plans and the 2022/23 Annual Performance Plans (APPs) and budgets of the National Skills Fund (NSF) and the Local Government Sector Education and Training Authority (LGSETA), reports as follows:

* 1. **Mandate of the Committee**

The Committee derives its mandate from Section 55(2) of the Constitution of the Republic of South Africa, which states 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.” Rule 227 of the Rules of the National Assembly (9th edition) provides for mechanisms contemplated in section 55(2) of the Constitution.

* 1. **Purpose of the Report**

The Report accounts for the work done by the Committee in the consideration of the Revised 2020 – 2025 Strategic Plans and the 2022/23 Annual Performance Plans (APPs) and budgets of the NSF and LGSETA in accordance with Section 27(1) of the Public Finance Management Act, 1999 (Act No. 29 of 1999), and as referred by the Speaker of the National Assembly (NA) to the Committee in terms of Rule 338 for consideration and reporting in accordance with Rules 339 and 340, respectively.

* 1. **Method**

The Committee considered the Revised 2020/21 – 2024/25 Strategic Plans, the 2022/23 APPs and budgets of the NSF and LGSETA. The Committee had briefing sessions with the Auditor-General South Africa (AGSA) to receive a briefing on the pro-active review of the 2022/23 APPs of the Higher Education and Training Portfolio on 20 April 2022. The Committee also held briefings with the NSF and LGSETA on 4 May 2022 to consider their Revised 2020 – 2025 Strategic Plans, the 2022/23 APPs and budgets.

1. **OVERVIEW OF THE KEY POLICY FOCUS AREAS RELEVANT FOR THE NSF AND LGSETA**
   1. **Key Government policies**
      1. **National Development Plan (NDP) Vision 2030**

South Africa has set itself goals through the National Development Plan (NDP), to eliminate poverty and to reduce inequality by 2030. In working towards achieving these goals, Government identified three main priorities, namely: raising employment through faster economic growth, improving the quality of education, skills and innovation; and building the capacity of the state to play a developmental, transformation role

The NDP sets out a vision for the country through its Vision 2030. The NDP identifies skills development and education as critical enablers of economic development. The NDP states that SETAs should play a more effective role in the production of skills that must meet the immediate needs of the employers. The NDP sets out the role for SETAs as facilitators of skills development in the following areas:

* Skills development for existing businesses;
* Unemployed people who wish to obtain employment in the sector and emphasis on internships; and
* Training should cover levels of the National Qualifications Framework (NQF) required by the sector.
  1. **The White Paper for Post-School Education and Training (WPPSET)**

The White Paper articulates a vision for an integrated system of post-school education and training, with all institutions playing their role as part of a coherent but differentiated system. The White Paper sets out strategies to expand the current provision of education and training in South Africa, to improve its quality, to integrate the various strands of the post-school system. It further sets the interventions for implementation by different sectors of the Post-School Education and Training. The White Paper sets out policies to guide the Department of Higher Education and Training (DHET) and the institutions for which it is responsible for contributing to building a developmental state with a vibrant democracy and a flourishing economy.

It sets out a vision for:

* A post-school system that can assist in building a fair, equitable, non-racial, non-sexist and democratic South Africa;
* A single, coordinated post-school education and training system;
* Expanded access, improved quality and increased diversity of provision;
* A stronger and more cooperative relationship between education and training institutions and the workplace; and
* A post-school education and training system that is responsive to the needs of individual citizens and of employers in both public and private sectors, as well as broader societal and developmental objectives.

Furthermore, it is premised on achieving the following:

* Expanded access to TVET and university education;
* Establishment of community colleges and skills centres to mainstream vocational education and training;
* Establishment of a national skills planning mechanism within DHET;
* A strengthened National Skills Authority (NSA) to perform a monitoring and evaluation role in the skills system; and
* Opening up workplaces to give more youth access to work-integrated learning opportunities.
  1. **Human Resource Development Strategy for South Africa (HRD-SA) 2010 – 2030**

The HRD Strategy for South Africa (2010 – 2030) is a call to action. Its primary purpose is to mobilise multi-stakeholder participation, and to encourage individuals and organisations to take on the challenge of improving the human resource stock of the nation. The document sets out collective commitments for sectors of society in skills production. The different sectors of the post-school education and training will have to ascribe to the goals of the HRD Strategy which are: to urgently and substantively reduce the scourge of poverty and unemployment in South Africa; to promote justice and social cohesion through improved equity in the provision and outcomes of education and skills development programmes, and to substantively improve national economic growth and development through improved competitiveness of the South African economy.

* 1. **National Skills Development Plan (NSDP)**

The NSDP aims to ensure that South Africa has adequate, appropriate, and high-quality skills that contribute to economic growth, employment creation, and social development. The NSDP is the key policy which informs the work of the NSF and the SETAs until 2030 and has been crafted within the policy context of the NDP, and the White Paper. The SETAs and the NSF will focus on addressing the eight NSDP outcomes as follows:

* Outcome 1: Identifying and increasing the production of occupations in high demand;
* Outcome 2: Linking education and the workplace;
* Outcome 3: Improving the level of skills in the South African workforce;
* Outcome 4: Increasing access to occupationally directed programmes;
* Outcome 5: Supporting the growth of the public college system;
* Outcome 6: Skills development support for entrepreneurship and cooperative development;
* Outcome 7: Encouraging and support worker initiated training; and
* Outcome 8: Supporting career development services.
  1. **2019 – 2024 Medium-Term Strategic Framework (MTSF)**

The 2019-2024 MTSF, forms the second five-year implementation phase of the NDP. The framework aims to ensure policy coherence, alignment and coordination across government plans, as well as, alignment with the budgeting process. For the Sixth Administration, in his State of the Nation Address in June 2019, the President identified the following seven Government priorities that would play a catalytic role in achieving the NDP targets, as contained in the 2019-2024 MTSF:

* Priority 1: Building a capable, ethical and developmental state
* Priority 2: Economic Transformation and Job Creation
* **Priority 3: Education, Skills and Health**
* Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services
* Priority 5: Spatial Integration, Human Settlements and Local Government
* Priority 6: Social Cohesion and Safe Communities
* Priority 7: A Better Africa and World

The post-school education and training sector contributes to Priority 3: Education, Skills and Health. This priority contributes to pillar 2 of the NDP pillars, which is the Capabilities of South Africans. In implementing Priority 3: Education, Skills and Health, Government has developed the new 2019 – 2024 MTSF. The Strategy has four Outcomes relevant to the NSF and the SETAS. These are:

* Expanded access to PSET opportunities;
* Improved success and efficiency in the PSET system;
* Improved quality of PSET provisioning; and
* A responsive PSET system.

Though the Department of Higher Education and Training and Training leads the operationalisation of the Priority, entities play a critical role in delivering the programmes and the Department reports on the overall performance.

* 1. **Economic Reconstruction and Recovery Plan (ERRP) and ERRP Skills Strategy**

The impact of COVID-19 in the country has negatively affected an already ailing economy, which deepened the high unemployment rate, poverty and inequality. In response to the economic challenges resulting from the COVID-19 pandemic, the Government developed an Economic Reconstruction and Recovery Plan. The Plan sets out a reconstruction and recovery plan for the South African economy that is aimed at stimulating equitable growth. The Plan identifies priority interventions and enabling areas to grow the economy and create jobs.

The priority interventions are:

* Infrastructure investment and delivery;
* Industrialisation through localisation;
* Energy security;
* Gender equality and economic inclusion of women and youth;
* Support for the recovery and growth of the tourism, creative and cultural industries;
* Green economy interventions;
* Mass public employment interventions;
* Strengthening agriculture and food security; and
* Macro-economic policy interventions

In contributing towards the realisation of the ERRP goals, the Department developed the ERRP Skills Strategy, which is directed towards both public and private education and training institutions and skills development providers (including workplaces). The idea is to strengthen partnerships between the public and private sectors to improve efficiency and effectiveness. The Strategy aligns demand and supply of relevant skills for ERRP and there are eight interventions focused on the provision of targeted education and training programmes as follows:

* Intervention 1**:** Expand the provisioning of short skills programmes (both accredited and non-accredited) to respond to skills gaps identified in the strategy.
* Intervention 2: Enable the provisioning of short skills programmes (both accredited and non-accredited) that respond to skills gaps identified in the strategy.
* Intervention 3**:** Expand the provisioning of workplace-based learning (WBL) programmes to respond to occupational shortages and skills gaps identified in the strategy.
* Intervention 4: Increase enrolments in qualification-based programmes that respond to the occupational shortages identified in the strategy.
* Intervention 5: Review and revise education and training programmes to respond to occupational shortages and skills gaps identified in the strategy.
* Intervention 6:Update the draft Critical Skills List and associated regulatory mechanisms.
* Intervention 7:Strengthen entrepreneurship development programmes.
* Intervention 8: Embedskills planning into economic planning processes and vice.
* Intervention 9: Facilitate the use of the National Pathway Management Network (PMN) in the PSET system.
* Intervention 10:Strengthen the post school education and training (PSET) system

Entities of the Department are required to align their programmes and funding to contribute to the skills interventions aimed at supporting the ERRP.

* 1. **2022 State of the Nation Address (SONA)**

One of the key focus areas of the February 2022 SONA is a comprehensive social compact to grow the economy, create jobs and combat hunger. Additionally, it addresses critical priorities for the Higher Education and Training sector. In response to the huge challenge of youth unemployment the country faces, the President announced that the Department of Higher Education and Training (DHET) will place 10 000 unemployed Technical and Vocational Education and Training (TVET) college graduates in workplaces from April 2022. The President further appealed to the private sector to support measures relating to youth employment and, wherever possible, to drop experience as a hiring requirement and give as many young people as possible their first job.

Additionally, infrastructure projects will be prioritised to support economic growth and better livelihoods, especially in energy, roads and water management. The Infrastructure Fund is at the centre of this effort, with a R100 billion allocation from the fiscus over 10 years. The Infrastructure Fund is now working with state entities to prepare a pipeline of projects with an investment value of approximately R96 billion in student accommodation, social housing, telecommunications, water and sanitation and transport.

1. **OVERVIEW AND ASSESSMENT OF THE 2021/22 – 2024/25 REVISED STRATEGIC PLANS, 2022/23 ANNUAL PERFORMANCE PLANS AND BUDGETS OF THE NSF AND LGSETA** 
   1. **NATIONAL SKILLS FUND**

The NSF was established in 1999 in terms of Section 27(1) of the Skills Development Act, stating the following: “The National Skills Fund (NSF) is hereby established”. Therefore, the NSF is not established with a legal persona. The NSF is a Schedule 3A public entity, governed by the Public Finance Management Act (PFMA) (No. 1 of 1999, as amended).

In terms of Section 29(1) of the SDA, the Director-General of the Department of Higher Education and Training (DHET) is the accounting authority of the NSF as contemplated by Section 49(2) (b) of the PFMA. In terms of Section 29(1)(d) of the SDA, the Director-General of the DHET must, subject to the laws governing the public service, appoint the executive officer of the NSF who will, upon such appointment, be in the employment of the public service. It derives its mandate from the Constitution of the Republic of South Africa. With respect to legislative mandate, the NSF’s mandate is informed by the Skills Development Act, 1998 as amended and the Skills Development Levies Act, 1999 and the relevant policy mandates explained above.

* + 1. **Overview and assessment of the Revised Strategic Plan**

The NSF revised its 2020 – 2025 Strategic Plan to align new indicators introduced in the 2021/22 APP and enhancements to support the audit outcomes, reporting and evaluation exercises. In the previous planning cycle, the entity made several outcomes inclusions to the 2021/22 APP, that was approved and tabled in Parliament, which resulted in the need to align the 2020 – 2025 Strategic Plan to inform the outer years of the APP. Furthermore, the revision was informed by the Auditor-General preliminary audit findings on the requirement to align the 2020 – 2025 Strategic Plan with the Department of Performance, Monitoring and Evaluation for Strategic Plan and Annual Performance Plan and the Guidelines for the implementation of Strategic Plan and Annual Performance Plan.

The NSF reported that it had assessed the revised MTSF of the DHET and identified outcomes to which the entity will contribute in line with its mandate and objectives that would support and catalysing interventions to the MTSF outcomes.

Material changes to the 2020 – 2025 Strategic Plan, include amongst other, amendments to

* Impact Statement to “Reduced inequality and poverty among National Skills Fund beneficiaries;
* Programme 1: Administration, which was previously programme 2;
* Programme 2: Skills Development Funding, which was previously programme 1: Quality Skills Developed;
* Outcomes: Outcome 2 was changed to “A skilled and capable workforce to support inclusive growth path”
* Programme 3: Post-School Education and Training Improvement Funding;
* Addition of new indicators;
* Technical descriptors to ensure that the scope of evidence to support financial and performance clearly capture, changes and standard operating procedures;
* Revision of targets based on prior years and evaluation of performance and non-performance in prior years- targets where increased to an overall 27% additional beneficiary focused on funding;
* Revised NSF budget over the remaining strategic planning period;
* The revised targets are aligned to the DHET PSET institutional targets in consideration of the latest list of occupations in high demand, including the digital and related occupational family groupings;
* The legislative framework was updated to improve the alignment of key government strategies and programmes and amended to include the ERRP and its coupled skills strategy; and
* Outcome indicators were revised to ensure alignment with the NTSF Priority 3: Education, Skills and Health and Framework for Managing Programme Performance Information, which requires the indicators to be reliable.
  + 1. **Overview and assessment of the 2022/23 Annual Performance Plan performance targets**

The work of the NSF is informed by three Strategic Outcome-Oriented Goals, namely,

* Organisational sustainability, which focuses on improving internal business excellence and service delivery;
* Skilled and capable workforce for an inclusive growth path: Skills development beneficiaries funded; SMME or cooperative funded; and constituency-based intervention funded; and
* An improved PSET system: Skills infrastructure development funded; PSET capacity development funded and research projects funded.

The entity has three budget programmes, namely, Administration, Skills Development Funding and PSET System Improvement Funding. The programmes have a combined 38 targets for the 2022/23 financial year.

Below is a summary of the key deliverables per programme:

* + - 1. **Programme 1: Administration**

The programme is responsible for ensuring a sound service delivery environment and effective resource management within the NSF. The focus will be on ensuring effective business operations in relation to strategic planning, financial and project monitoring and evaluation, organisational positioning, organisational performance management, organisational culture development, corporate image, stakeholder relations management as well as corporate governance, including an unqualified audit outcome.

Seven targets planned under this programme. The focus during the 2022/23 financial year will be on addressing 100% of the audit findings, including 100% compliance to the PFMA and applicable regulations as per the compliance report; developing and revising 100% of the planned policies and procedures. The NSF will ensure the filling of 90% of funded positions by the end of the financial year. 80% of the ICT priorities will be implemented.

The programme’s budget for 2022/23 amounts to R185,736 million, of which its bulk, R131,842 million will go towards spending on employee costs and R47,629 million to operating expenses. The programme’s funding allocation increased by 4.9% or R8,810 million from R176.926 million in 2021/22.

* + - 1. **Programme 2: Skills Programme**

The programme measures the extent to which the NSF has funded learners who may be employed or self-employed within a reasonable period after successfully completing their education and training. This will provide a reliable measure of the success of the skills development initiatives funded against strategic priority interventions in creating a capable South African citizenry that contributes towards improving economic participation and social development.

The NSF’s key beneficiaries for skills development funding are the learners funded. The expected consequence of achieving specific outputs due by providing funding for skills development initiatives to benefit these key beneficiaries is the attainment of employment or self-employment, as a result of successfully acquiring the relevant skills.

The PSET system produces a skilled and capable workforce for the labour market (including self-employment). Therefore, expanding and making the PSET system more effective and integrated directly contributes to the NSF’s envisaged impact: contributing towards improving economic participation and social development by funding the development of capable South African citizenry.

The attainment of this envisaged impact addresses South Africa’s triple challenge of poverty, inequality and unemployment by providing those who are from disadvantaged backgrounds and vulnerable groups with education and training opportunities that will contribute to their employment or self-employment prospects and wealth generation capabilities.

The programme has 20 targets planned for 2022/23.

Under this programme, the NSF interventions will amongst others, support:

In terms of skills development, the NSF will fund;

* 61 000 learners for education and training;
* Have 31 690 NSF-funded learners completed their education and training;
* 38 000 learners for education and training towards occupations in high demand and 11 000 complete education and training;
* 35 600 learners from rural areas for education and training and have 13 000 complete education and training;
* 5 000 bursary students for their qualification and 1 600 completed their qualification;
* 1 000 youth from rural areas for skills development in response to innovation and digital technology and 500 complete their skills development training;

In implementing skills development initiatives relating to SMME or cooperatives, the NSF will fund;

* 5 250 learners for education and training through SMME and cooperatives skills development initiatives and 1 500 completed their training.

With respect to Constituency-based interventions, the NSF planned to have:

* 690 learners who completed their education and training through worker education;
* 570 learners acquiring workplace experience; and
* 1 050 individuals who completed constituency-based interventions funded over the five-year strategic period;
* Fund 25 constituency-based interventions.

The programme is allocated a budget of R3,056 billion for 2022/23, which constitutes 84.6% of the NSF’s total budget for 2022/23. The budget allocation increased by 7.4 per cent or R211,580 million from R2,844 billion in 2021/22.

The funds will go towards supporting the education and training of learners to contribute towards other key government and initiatives, which include among others, supporting national programmes such as skills development through the Expanded Public Works Programme (EPWP) and the National Youth Services Corps (NARYSEC) programme, skills development aimed specifically at growing SMMEs and cooperatives, and community-based skills development initiatives.

* + - 1. **Programme 3: PSET system improvement funding**

The programme measures the outcome of the NSF’s investment in expanding, improving effectiveness and integrating the PSET system. The outcome of the NSF’s investment in expanding, integrating and improving the effectiveness of the PSET system will be impacted by the success of the NSF’s portfolio of projects.

Each project’s achievements of specific envisaged outcomes will be evaluated to determine the overall achievement of the projects collectively as a portfolio of projects aimed at expanding, improving the effectiveness of and integrating the PSET system. This includes infrastructure development to support expanding access, research and innovation to steer the NSF’s priority interventions for PSET, as well as PSET capacity-building to ensure effectively and quality provision through PSET educational institutions.

The programme has 11 targets planned for 2022/23.

Under this programme, the NSF will, amongst others,

* Fund five skills infrastructure development projects;
* Three NSF-funded infrastructure development projects that achieve 60% of the envisaged outputs;
* Five NSF-funded skills infrastructure development projects completed;

In supporting PSET capacity development, the NSF will:

* Fund 39 capacity development projects;
* 35 PSET capacity development projects which achieve more than 60% of the envisaged outputs; and
* Three NSF-funded capacity building projects will be completed.

Through research and Constituency Development, the focus during 2022/23 will be on funding four research interventions; two research projects that achieved 60% of the envisaged outputs; and two NSF-funded research projects will be completed.

The programme’s budget is R294,367 million. The budget is projected to increase in the outer two years of the MTEF period to R297,311 million and R300,284 million in 2023/24 and 2024/25 respectively.

* + 1. **Overview and assessment of the 2022/23 Medium-Term Expenditure Framework (MTEF)**

**Table 1: Budget summary indicating allocations across the MTEF**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2022/23 BUDGET ESTIMATES** | **Revised budget** | **Medium-Term Expenditure Estimates** | | |
| **R million** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
| **Revenue from non-exchange transactions** | **3 886553** | **4 223 863** | **4 465 845** | **4 819 830** |
| Skills deployment levies | 3 786 553 | 4 123 863 | 4 465 845 | 4 819 830 |
| Income from SETAs | - | - | - | - |
| Transfer from the DHET | 100 000 | 100 000 | 100 000 | - |
| **Revenue from exchange transactions** | **521 147** | **568 050** | **624 855** | **693 589** |
| Finance income | 484 618 | 528 233 | 581 057 | 644 973 |
| Finance income from advance payment to skills  Development programme and projects | 36 529 | 39 817 | 43 798 | 48 616 |
| **TOTAL Revenue** | **4 407 700** | **4 791 913** | **5 200 700** | **5 513 419** |

*Source: NSF Annual Performance Plan, 2022/23*

The NSF’s revenue over the MTEF amounts to R15,506 billion. For the 2022/23 financial year, the entity has a total revenue of R4,791 billion, which is made up of R4,223billion of revenue from non-exchange transactions (R4,123 billion from skills development levies, R100,0 million transfer from DHET Grant) and R568,050 million of revenue from exchange transactions (R528,233 million and R39,817 million of income from advance payment to skills development programmes and projects).

The NSF’s revenue increased in nominal terms by R384,213 million or 8.72%. However, when inflation-adjusted, the budget the budget increased by R177,862 million or 4.04%. The overall revenue is projected to increase in the outer two years of the MTEF period to R5,200 billion and R5,513 billion in 2023/24 and 2024/25, respectively.

In terms of the projected expenditure for the 2022/23 financial year, the bulk of the NSF budget, R3,350 billion is apportioned to skills development, of which R3,056 billion is allocated to programme 2: Skills Development Funding and R294,367 million is allocated to programme 3: Improved PSET system.

The projected accumulated surpluses and reserves for 2022/23 amount to R13,208 billion. The NSF committed that the spending of the accumulated surplus and reserves will improve, as it is not the intention of the entity to build huge reserves.

* 1. **LOCAL GOVERNMENT SETA**

The Sector Education and Training Authorities are established in terms of the Skills Development Act, 1998 (Act no 97 as amended) and listed in terms of the PFMA, as Schedule 4A public entity. The Skills Development Act mandates the SETAs to promote skills development for education and training sector. The SETAs are funded through the one per cent levy income paid by employers to the South African Revenue Service (SARS).

The LGSETA derives its mandate from the Constitution of the Republic of South Africa, 1996, section 152(1), which outlines five main objects of local government, and which provides the basis for the LGSETA to support skills development interventions in those key areas as follows:

1. to provide democratic and accountable government for local communities;
2. to ensure the provision of services to communities in a sustainable manner;
3. to promote social and economic development;
4. to promote a safe and healthy environment; and
5. to encourage the involvement of communities and community organisations in the matters of local government.

The mandate of the SETA is further informed by Section 29(1) (a) and (b) provides for the state to take reasonable measures to make adult and further education accessible to citizens, as a human right and section 195(1) (a) to (i) which articulates the values and principles governing administration, which impacts on good governance and accountability within and across municipalities.

With respect to the legislative mandate, the overall mandate of the SETA is informed by the Skills Development Act, 1998 (No. 97 of 1998) and its subsequent amendments. Its responsibilities include the following:

* Develop a Sector Skills Plan (SSP) within the framework of the NSDS;
* Establish and promote learnerships through:
* Collect and disburse the skills development levies in its sector; approve workplace skills plans and allocate grants in the prescribed manner to employers, education and training providers and workers;
* Fulfil the functions of an Education and Training Quality Assurance (ETQA), as delegated by the Quality Council for Trades and Occupations (QCTO); and
* Monitoring education and training in the sector.

Other legislation that informs the mandate of the SETA, include, amongst other, the Skills Development Levies Act, 1999, the National Qualifications Framework Act, 2008, Public Finance Management Act, 1999.

* + 1. **Overview and assessment of the Revised Strategic Plan**

The LGSETA revised its 2021/22 – 2024/25 Strategic Plan. The revisions focussed on the legislative and policy mandates to align the work of the SETA with new policy developments. The revisions took into consideration the Economic Reconstruction and Recovery Plan (ERRP), ERRP Skills Strategy, the Revised Framework for Strategic Plans and Annual Performance Plans 2020. Other key policies that informed the revision of the Strategic Plan are the Green Economy Accord, National Treasury Regulations, and Integrated Urban Development Framework. In addition, the SETA developed new outcome indicators to respond to the nine priority interventions of the ERRP from a skills perspective as informed by the ERRP Skills Strategy. The work of the SETA over the MTSF period will be informed by the NSDP Outcomes and the ERRP Skills Strategy.

* + 1. **Overview and assessment of the 2022/23 Annual Performance Plan performance targets**

The LGSETA has four budget programmes, namely, Administration, skills Planning, Learning Programmes and Quality Assurance. For the 2022/23 financial year, the programmes have a combined 82 targets, of which 54 are in programme 3: Learning Programmes.

Below is a summary of the key deliverables per programme:

* + - 1. **Programme 1: Administration**

The programme aims to enhance internal capacity and capability of the LGSETA staff, to enable the organisation to implement effective, efficient and transparent administration and governance of the LGSETA. The programme also strives to ensure that the LGSETA Board is constituted in terms of the SETA Constitution; and Board Committees are properly constituted in terms of good corporate governance statutes.

For 2022/23, the programme has 14 planned targets.

Under this programme, the SETA aims to:

* Obtain unqualified audit opinion;
* Pay 90% of discretionary grant suppliers within 30 days upon submission of compliant documents;
* Implement 50% of strategic risk mitigating measures;
* Approve 12 Operational risk registers;
* Resolve 80% of audit findings;
* Compile four governance reports;
* Participate in 30 career development events/exhibitions in urban and rural areas on occupations in high demand; and
* Conduct nine capacity building workshops on Career Development Services.

The programme is apportioned a budget of R159,963 million, which constitutes 17.1% of the LGSETA total budget. The programme funding allocation increased by 11.5% or R16,472 million from R143,491 million in 2021/22.

* + - 1. **Programme 2: Skills Planning**

The programme aims to conduct research which is aimed at improving the quality of the LGSETA’s skills planning and identification of interventions that are needed to facilitate access to appropriate skills development interventions for the sector. It also focuses on improving the capacity to plan for skills intervention and skills planning in the sector. The programme contributes to the NSDP and its Outcomes 1 and 3 through conducting research that will identify accurate scarce and critical skills and also identify occupations in high demand in the local government sector. In addition, the Skills Planning programme has a responsibility to develop a responsive Sector Skills Plan (SSP) at national and provincial levels whereby occupations in high demand are adequately identified and intervention to address the demand for skills is outlined and fully integrated into the SSP.

The programme has three sub-programmes, namely, Research, Sector Skills Planning and Monitoring and Evaluation. There are nine planned targets under this programme.

Selected key deliverables for the 2022/23 financial year include, amongst others, to:

* Disburse 100% of mandatory grants;
* Increase local government levy paying entities by five;
* Approve 100% Workplace Skills Plans (WSPs) and Annual Training Reports (ARTs) submissions;
* Conduct six research projects on skills development needs in the local government;
* Conduct one Evaluation Study on skills development programmes/projects; and
* Develop one Monitoring and Evaluation Tool.

The total budget allocation for this programme is R239,801 million or 25.7 per cent of the total budget of the entity. The funding allocated to the programme increased by 14.5% or R30,326 million from R209,475 million in 2021/22.

* + - 1. **Programme 3: Learning programmes**

The programme aims to continuously facilitates the delivery of skills development in the local government sector to both employees and the unemployed; in order to enable better service delivery in the sector. This would be delivered through training programmes, or through the Recognition of Prior Learning (RPL). The entity notes that once employees are recognised, they also become eligible for further training and developing within their respective disciplines. All programmes directed under this objective will improve their employability and opportunities for economic participation.

The Learning Programme is the core programme whereby the delivery of training and skills development takes place. All of the strategic initiatives and outcome indicators contribute to the eight outcomes of the NSDP (2020-2030). The strategic focus of this programme is to indicate the actual allocation of the Discretionary Grant into specific learning interventions that are regarded as occupations in high demands that the SETA would have identified through the Sector Skills Plans.

The programme has three budget sub-programmes, namely, Learning Programmes, Provincial Offices and the Project Management Unit. Fifty-four targets planned under this programme.

Selected key deliverables for the 2022/23 financial year include, amongst others, to:

* Percentage of discretionary grant allocations reflective of high, intermediate and elementary skills level, 20%: high skills, 60%: intermediate skills and 20% elementary skills, respectively;
* Train 20 co-operatives and 20 small and emerging enterprises on sector and national priority occupations or skills;
* Place 800 TVET students requiring Work-Integrated Learning (WIL) to complete their qualifications and 200 completed;
* Place 350 university students requiring WIL to complete their qualifications and to have 200 students completed;
* 1500 unemployed learners are on a Learnership Programme and 100 have completed;
* 1500 workers are in the Learnership Programme and 1000 have completed;
* 3 000 workers in Skills Programme and 1500 have completed;
* 200 learners in an Artisan Development Programme and 100 have completed;
* Establish partnerships with 10 TVET colleges, 10 higher education institutions and three CET colleges;
* Establish and maintain three SETA offices in three TVET colleges;
* Support five Centres of Specialisation;
* Award bursaries to 20 TVET and 21 CET colleges’ lecturers;
* 30 people trained on entrepreneurial skills;
* Support 30 Community-Based Organisations (CBOs)/Non-Governmental Organisations (NGOs)/Non-Profit Organisations (NPOs) with training interventions; and
* Support 100 learners in the High Schools Development Programme on career development initiatives.

The total budget allocation for this programme is R511,782 million or 54.9 per cent. The funding allocated to the programme increased by 22.8% or R44,879 million from R466,903 million in 2021/22.

* + - 1. **Programme 4: Quality Assurance**

The programme develops the occupational qualifications and quality assurance, which have become the cornerstone in achieving and responding to the local government scarce and critical skills needs. The focus of the local government is to develop quality occupations and ensure that skills development training is accredited. It has one sub-programme, Education, Training and Quality Assurance.

For 2022/23, the programme has five planned targets.

Under this programme, the SETA planned to:

* Develop three Quality Council for Trades and Occupations (QCTO) Qualification, Learning Material and RPL Toolkit;
* Accredit 100% of Skills Development Providers (SDAs);
* Certify 25 000 learners against Unit Standards and 3 000 learners against full qualifications; and
* Establish three Assessment Centres for quality assurance of occupational qualifications.

The total budget allocation for this programme is R21,547 million or 2.3% per cent of the SETA’s total budget. The funding allocated to programme decreased by 49.7% or R21,253 million from R42,800 million in 2021/22.

The SETA reported that the Minister of Higher Education and Training has instructed that the functions performed by the Quality Assurance programme will be transferred from SETAs to the Quality Councils for Trades and Occupations (QCTO) in 2022. The transfer of functions has implications for the LGSETA in the following areas:

* Executing the core functions of the Quality Assurance Programme in the outer years beyond 2022;
* Staffing within the Quality Assurance Programme; and
* The programme might be discontinued after 2022 due to the transfer of functions.
  + 1. **Overview and assessment of the 2022/23 Medium-Term Expenditure Framework (MTEF)**

**Table 2: Budget summary indicating allocations across the MTEF**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2022/23 BUDGET ESTIMATES** | **Revised budget** | **Medium-Term Expenditure Estimates** | | |
| **R million** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
| **Levy income – 80%** | 780 992 | 849 654 | 900 633 | 945 665 |
| Administration Levy Income – 10.56% | 104 711 | 111 517 | 118 208 | 124 119 |
| Discretionary Grants Levy Income – 49.5% | 493 460 | 525 724 | 557 267 | 585 131 |
| Mandatory Grant Levy Income – 20% | 182 821 | 212 413 | 225 158 | 236 416 |
|  |  |  |  |  |
| Levy Interest and penalties | 17 744 | 7 503 | 7 953 | 8 351 |
| Interest Income | 38 618 | 48 274 | 51 170 | 53 729 |
| Other Income | 161 | 172 | 182 | 192 |
| **TOTAL EXPENDITURE** | **837 515** | **905 603** | **959 939** | **1 007 937** |

*Source: LGSETA Annual Performance Plan, 2022/23*

Over the MTEF, the budget of the LGSETA amounts to R2,873 billion. For the 2022/23 financial year, the entity has a total revenue of R905,603 million, which is made up of R849,6 million of levy income, R7,503 million of levy interest and penalties, R48,274 million of interest income and R172 000 of other income. The budget increased in nominal by R68,088 million or 8.13% from the revised budget of R837,515 million in 2021/22. When considering inflation adjusted, the overall budget increased by 3.47%. The levy income increased by 8.79% while total income from interest and penalties, including other income decreased 1.02%. The overall budget is projected to increase in the outer two years of the MTEF period to R959,939 million and R1,007 billion in 2023/24 and 2024/25, respectively.

In terms of the projected expenditure for the 2022/23 financial year, the bulk of the LGSETA budget, R533,227 million or 58.88% is allocated for Discretionary Grants expenditure, followed by R212,413 million or 23.46% for Mandatory Grants expenditure and R159,963 million or 17.66% for Administration expenditure. Of the R159,963 million apportioned to Administration expenditure, R76,603 million is for employee costs and R83,360 million is for goods and services.

1. **OBSERVATIONS**

The Committee, having assessed the Revised Strategic Plans 2020 – 2025 and the 2022/23 Annual Performance Plans of the NSF and LGSETA, make the following observations:

* 1. **National Skills Fund**
     1. The Committee noted the improvements in the NSF presentation which also responded to the inputs previously raised by the Committee. It also welcomed the Revised Strategic Plan 2020 – 20 25 and 202/23 APP and urged improved performance for 2022/23.
     2. The Committee expressed serious concern about the slow pace in the implementation of the audit action plan which was sitting at 20%. The slow pace in the implementation of corrective measures carries a risk for the entity to have another regressed audit outcome for 2021/22 financial year.
     3. The Committee reiterated its grave concern about the entity’s prior year’s performance having spent only 66.3% of the 2020/21 budget, recording underspending of R981 million, or 35%. Similarly, the entity performed poorly with regard to its service delivery performance targets, and achieved 23% or 3 out of 13 targets. The Committee cautioned that if the underperformance is not addressed, it would have negative repercussions for the PSET system in achieving the objectives of the White-Paper and the NDP for PSET.
     4. The delays in the filling of vacant positions were noted as concern including the entity’s target to only fill 60% of the organisation’s vacancies. Equally, the insufficient human resource capacity had a detrimental impact on the achievement of the entity’s performance indicators for the two previous financial years.
     5. The Committee was concerned that the targets set for funded learners in skills development interventions did not correlate with the targets for completions. Thus, the resources allocated to these skills development interventions have the potential of not yielding good returns on the investment made.
     6. The Committee welcomed the commitment by the DG to improving the NSF state of affairs, including the undertaking that the recommendations of the MTT on the review of the NSF and forensic investigation report would be implemented.
     7. The Committee expressed grave concern about the NSF’s continuous spending on unfunded mandates in the PSET system which was deemed unsustainable. The NSF core mandate is to fund skills development initiatives meant to empower beneficiaries with the requisite skills to tap into the labour market. However, the entity’s funds had been also utilised to cover operational expenditures of some PSET institutions, e.g. the National Artisan Moderation Body (NAMB), which has not had its own dedicated budget since inception and was being assisted by the NSF at R200 million per annum.
     8. The Committee noted concern about the impact of the COVID-19 regulations on the skills development interventions in the PSET system.
     9. The Committee stressed the importance of the NSF having specific or dedicated skills development interventions for the rural youth considering their socio-economic conditions and inadequate access to employment opportunities.
     10. The Committee welcomed the NSF’s commitment to support skills development interventions in the TVET and CET sectors.
     11. The Committee reserves its position on the review of the NSF governance as it awaits the finalisation of the Ministerial Task Team (MTT) on the Review of the NSF and the forensic investigation report.
  2. **Local Government SETA**
     1. The Committee welcomed the 2022/23 APP of the LGSETA, especially that the Auditor-General (AG) did not make any findings against its performance indicators.
     2. The Committee welcomed the bold stance taken by the Board to robustly deal with corruption and implement consequence management. The Board had suspended some senior executives of the entity who were implicated in allegations of maladministration and allegedly contributed to the R35 million irregular expenditure recorded by the entity in 2020/21. The Board has also appointed an investigator to delve deeper into the alleged maladministration and produce a report which would assist its remedial action thereof.
     3. The Committee welcomed the undertaking by the Board that it planned to recover the R35 million irregularly incurred by the entity once all the due processes have been completed.
     4. The Committee noted with concern the report by the DG regarding the threat to the safety of some Board members and executives that are rooting out corruption and wrongdoing in the entity. Furthermore, the Committee reiterated its support to the Board for the measures put in place to ensure the safety of Accounting Authority members and executives under threat.
     5. The Committee noted with concern some of the vacant positions at the management level of the entity, including the Board.
     6. The Committee commended the entity for the targets to support the quality of provision of education and training through supporting the CET and TVET college managers and lecturers.
     7. The Committee welcomed the DG’s report that the entity exceeded its target in supporting TVET graduates with work-placement opportunities.
     8. The Committee was concerned about the increase in the budget for legal fees from R2.1 million in 2020/21 to R5.3 million in 2022/23. The increase was ascribed to the legal support required to support efforts to root out corrupt activities and the case that is in the court and to recoup R35 million paid irregularly to a service provider. Similarly, the budget of R3 million for spending on consultants was noted as a concern.
     9. The Committee noted with concern the capacity and availability of councillors to deal with service delivery challenges at the local government level.
     10. The Committee stressed the importance of the entity having a specific or dedicated Gender-Based Violence (GBV) policy given its critical role in facilitating the training and upskilling of skills employees and various people involved in local government structures. The inclusion of the GBV framework in the training programmes for councillors and relevant people involved in local government structures will contribute to the fight against the scourge of GBV in communities.
     11. The Committee expressed concern about the weak spatial and town planning in the country, as evidenced by the devastating floods in KwaZulu-Natal and other provinces.

1. **SUMMARY**

The Committee welcomed the Revised Strategic Plan 2020 – 2025 and the 2022/23 Annual Performance Plan of the NSF and LGSETA. With respect to the NSF, the Committee was encouraged that the entity had presented an improved APP presentation, which was detailed and specifically highlighted how the entity would achieve its performance indicators. The NSF report had also taken into consideration some inputs that the Committee had previously raised in its engagement with the entity.

The Committee has been concerned about the deteriorating state of affairs at the NSF, as evidenced by the recurring adverse audit findings in particular, the two previous financial years. Equally concerning were the findings that were highlighted by the AG which pointed out that the NSF was unable to properly account for the money spent due to inaccurate performance information. Consequently, the Minister appointed a MTT on the review of the entity and forensic investigation to uncover the misuse of funds earmarked for skills development. Both these initiatives were welcomed by the Committee and it is looking forward to engaging the Minister on the outcome of these reports.

The Committee has also welcomed the undertaking by the DHET that it will implement the necessary drastic measures to ensure the entity implements its mandate in line with the Skills Development Act, 1998. The Committee also continues to monitor the performance of the entity on a quarterly basis to assess progress made in the implementation of the turn-around strategy and audit action plan.

In respect to the LGSETA, the Committee was encouraged that the AG did not make findings pertaining to the performance indicators during its pro-active assessment of the 2022/23 APP. The Committee also commended the Board’s commitment to root-out corruption at the entity by suspending employees allegedly implicated in maladministration. Consequently, this has raised the ire of those implicated in the alleged maladministration, and there have been threats made to those committed to clean the entity.

The Committee stressed its support to the Board and executives of the entity who are committed to ensuring that the local government sector is supported with the necessary skills development interventions to improve the skills of employees and other people involved in the sector. The Committee also emphasised the need for the LGSETA to provide the necessary skills capacity and support to councillors who are the direct link between communities and municipalities in terms of service delivery. Overall, the Committee welcomed the 2022/23 APP of the LGSETA including the performance indicators for the local government sector.

1. **RECOMMENDATIONS**

The Committee, having assessed the Strategic Plans 2020 – 2025 and the 2022/23 APPs of the NSF and LGSETA, recommends the following:

* 1. **National Skills Fund**
     1. The NSF considers reviewing the target of 90 percent of funded positions filled by the end of the current financial year. The filling of all funded vacant positions is critical for the entity to improve its performance, and it needs to expedite this process.
     2. The NSF expedites the implementation of the audit action plan to address all the outstanding audit findings as highlighted by the AG in the 2020/21 financial year. The need to expedite the implementation of corrective measures will also assist the entity in improving its audit outcomes for 2021/22 financial year.
     3. The forensic investigation into the NSF and the Ministerial Task Team (MTT) Report on the review of the NSF be presented to the Committee within three months of the adoption of this report by the House.
     4. GBV continues to be a national crisis and the NSF needs to provide the necessary funding and support to PSET institutions in fighting this scourge.
     5. The NSF ensures that the target for completion by beneficiaries of the skills development interventions correlates with the number of beneficiaries funded in these programmes.
     6. The NSF ensures that it has the necessary capacity to monitor the implementation of its skills development projects and reconcile the performance information for the purpose of reporting.
  2. **Local Government SETA**
     1. The filling of vacant positions at management and Board level to improve the entity’s stability be expedited.
     2. The LGSETA puts the necessary mechanisms needed to recoup the R35 million lost through irregular payments to a service provider.
     3. The investigation against employees involved in financial misconduct be expedited, and disciplinary hearings be instituted.
     4. The LGSETA builds in-house capacity to reduce spending on consultants.
     5. The Board strengthens the internal controls measures to mitigate against non-compliance with legislation and to early detect fraudulent activities.
     6. The LGSETA considers developing programmes that will assist local governments to be aware of the impact of climate change and the need to address weak spatial planning.

Report to be adopted.