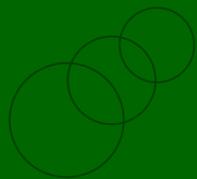


GUIDELINES ON THE IMPLEMENTATION OF SETA GRANT REGULATIONS



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GUIDELINES ON THE IMPLEMENTATION OF THE SECTOR EDUCATION AND TRAINING AUTHORITY (SETAS) GRANT REGULATIONS

In 2012, the Director-General appointed a Task Team to monitor the implementation of the Sector Education and Training Authority Grant Regulations. The Team is expected to review the Guidelines and update them accordingly once every year.

The intent of the Grant Regulations, amongst others is to;

- a) discourage the accumulation of surpluses and the carry-over of unspent funds at the end of each financial year; and
- b) to improve the quantity and quality of labour market information received by the SETAs in the form of workplace skills plans, annual training reports and PIVOTAL training reports and to inform planning.

Approved by the Director-General: Higher Education and Training

Mr GF Qonde
Director-General: Higher Education and Training
Date:

GUIDELINES ON THE IMPLEMENTATION OF SECTOR EDUCATION AND TRAINING AUTHORITY GRANT REGULATIONS

1. Purpose

These guidelines are intended to assist the Sector Education and Training Authorities (SETAs) in the development of internal policies and procedures in response to the Grant Regulations, 3 December 2012. The Regulations have been kept deliberately simple, so as to enable SETAs as much room as possible to interpret and implement the requirements in the context of sector needs. This is in line with the Department's approach in the National Skills Development Strategy III which was to set clear objectives but avoid specific targets. It is important that SETAs should be able to develop Sector Skills Plans that address sector needs in the context of a national strategy and framework. The Department has in the same way provided regulations in terms of the percentages to be allowed for administration and mandatory grants, and has directed that the majority of discretionary funds should be spent on Professional, Vocational, Technical and Academic Learning programmes that address hard-to-fill-vacancies and skills gaps skills needs.

SETAs must address skills that the sector has identified as being hard-to-fill-vacancies and skills gaps but must also support those identified as National Priorities. This initiative lies at the core of the National Development Plan and is outlined later in these Guidelines.

The purpose of the regulations is to improve the focus, management, and effectiveness of SETA grant spending. More detail could have been included in the regulations in respect of SETA grant policies and procedures, but it was felt that guidelines would be more useful than strict rules. The following guidelines are provided to SETAs to enable the development of policies and procedures for the allocation, monitoring and reporting of spending of both mandatory and discretionary grants. The expectation is that when developing policies and procedures aligned to the Regulations SETAs will take careful note of these guidelines when allocating resources to programmes.

2. General problem statement

There are a number of concerns that the Department wishes to address. These concerns emanate from on-going criticism in the media and in Parliament that SETAs are not effective, and that the nation is not obtaining value for the money

allocated to SETAs. There is a general sentiment that SETAs are not assisting in addressing the skills shortages that are holding back economic growth and which act as a barrier to inward investment and job creation. National Strategies, such as the National Infrastructure Plan, is being held back and industries that want to expand and employ more people cannot do so because of serious skills gaps and the SETAs are viewed as failing to do what is needed to address these gaps.

The Department is determined to work with SETAs to ensure that there is much more effective targeting of available resources to meet a number of key needs. The National Skills Development Strategy (NSDS) III provides the framework for SETAs to make their own assessment of sector challenges and to respond to national ones. Some of the challenges that would appear to be quite common across SETAs include:

- The challenge of addressing hard-to-fill-vacancies and skills gaps. Partly due to poor research and partly because of lack of detailed planning, many priority skills needs are not being addressed effectively. The level of impact in addressing these needs has to be increased.
- One of the challenges in addressing skills is the structure of education and training on offer. Many programmes lack any workplace component, and so a key objective will be to increase the workplace-based learning component both within and following college and university programmes.
- The programmes being offered are often not at the level required. For example certain trades require a level 4 qualification to achieve the trade test, but many learners are engaged in level 2 and 3 programmes, without any commitment to achieving the requirements of the trade. Many hard-to-fill-vacancies and skills gaps involve high level qualifications and many years to address, and often policies and implementation plans are short term, addressing one year programmes only, with no medium to longer term outcomes.
- There is a concern that there are too many short courses being promoted that make very limited impact on the skills gaps they are intended to address. There should be an emphasis on making significant impact on the identified skills needs rather than promoting short courses that may help in terms of achieving numerical targets, but have limited impact within the sector.
- One of the problems that the Grant Regulations are trying to address is the way that current grant disbursement is being done in a manner that disproportionately involves private education and training providers in delivery of skills development programmes. In general there is very limited use of

universities, public TVET colleges and public Community Education and Training Centres (CETs). This is primarily a result of the way SETAs have designed their policies and models of delivery but in some instances also reflects sub-standard or insufficiently relevant delivery on the part of public providers. Only by addressing this challenge at a policy and service delivery structural level can a more reasonable balance be achieved between private and public provision. What is a reasonable balance cannot be determined by the Department, but must be based on a sound analysis of supply side conditions in each sector, including the capacity that exists across the country and the relevance of the various programme options to the needs of the sector. What is important is that the policies and procedures adopted by SETAs support public providers to become partners in building the skills required for our country to grow; SETAs have to design their delivery model and policies to ensure that where possible there is an increase in the participation of public education and training providers.

- Linked to the above is the need to review the broader financial policies and procedures and in particular supply chain management policies and procedures. Where grant policies state an intention of doing certain things, but other policies makes it difficult to achieve what is intended within the grant policies it is important that SETAs ensure policy alignment. It is also important that SETAs work with the Department to streamline their grant procedures to achieve optimal efficiency and effectiveness across all SETAs. Human and financial resources are needed to accelerate remedies in this regard.
- Poor data submitted to SETAs affects skills planning and the identification of scarce and critical skills, and there is limited verification by the SETA of what employers have reported.

The absence of effective monitoring and evaluation has created a situation where the SETAs and DHET are unable to answer these very serious criticisms. This is partly because of the focus on numerical targets during NSDS II and of the failure of SETAs to develop policies and procedures that enable effective monitoring and measurement. In particular, there has been an almost complete absence of impact evaluation.

One of the reasons that it has been so difficult to measure the impact of SETA skills development interventions is the lack of clear and measurable intention. It is often very unclear what impact SETAs intend to make. This absence of clarity of intention expresses itself first in the Sector Skills Plan, then in the Strategic Plan and Annual Performance Plan, then in policies and procedures that seem to have little relevance to achieving planned impact. It then follows that the disbursement of funds is

managed in a manner that is unlikely to achieve very much in terms of stated goals. Grants and learning programmes policies adopted by accounting authorities enable access to SETA funds and set out rules for compliance purposes but they do not make clear what is intended, nor do they set out criteria for judging whether grants disbursed are in fact achieving what is intended. It is also the case that where compliance requirements hinder efficiency and effectiveness, they too need to be highlighted and addressed collectively with government through formal procedures of engagement.

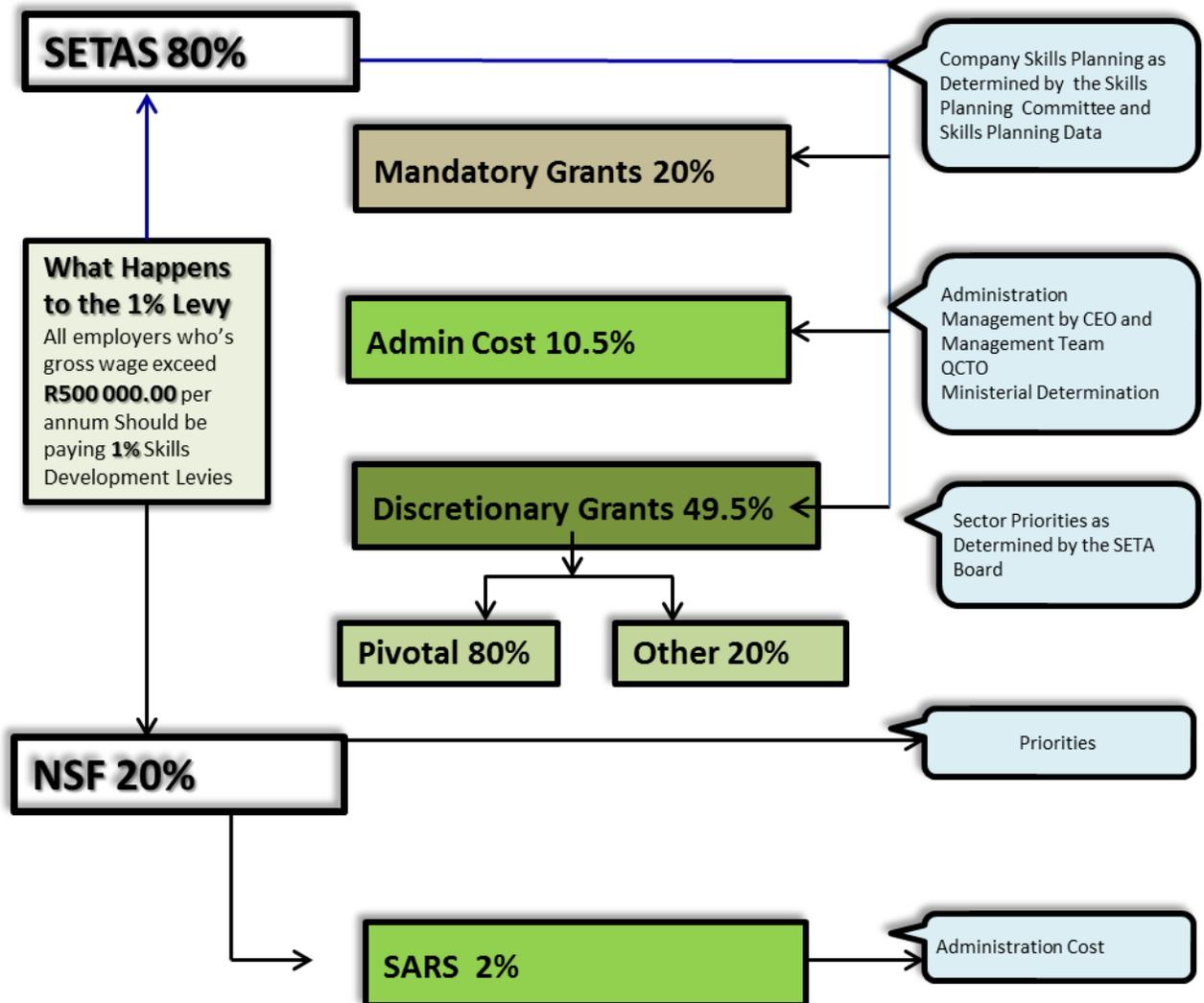
It is therefore not surprising that if there is a lack of clarity in strategy, plans and policies, impact will be limited and the ability to measure impact severely constrained. There is a need for SETAs to align their SSPs, SPs and APPs with policies, systems and processes to enable these plans to be implemented. Of course, within the SP and APP it will be necessary to allocate human and financial resources in a manner that is also aligned to the impact set out in the SSP. There is a need for SETAs to have in place monitoring systems and to conduct evaluations on the basis of a clearly defined baseline. These guidelines are therefore part of the Department's broader efforts to put in place a comprehensive set of interventions to assist SETAs to be in a position to be able to set out more clearly what they are intending to achieve, then align resources to achieve intended impact and then account, and explain how the allocation of funds has contributed to that impact. In developing Sector Skills Plans, care needs to be taken to clarify what the SETA intends to achieve and what impact it plans to make as well as what contribution it can make to national goals. In developing policies and procedures, those same national and sectoral goals need to be factored in, so that there is alignment between what the SETA states is its intention and the regime that it puts in place to achieve this. These guidelines will help SETA management and accounting authorities to understand the intention of the Department and to craft policies and procedures that will achieve Departmental goals whilst keeping a clear focus on the needs of the sector.

The main focus of SETAs should be to make a difference in their designated sectors whilst at the same time contributing to national objectives, and this is why the SETAs must develop strategy, plans and policies. The absence of rigid rules and centrally determined allocations in the Grant Regulations needs to be understood in this context. The intention is that SETAs actively engage in putting in place policies designed to achieve the goals set out in their SSP as well as contribute to national goals that are consistent with their sectoral ones.

In addition to the above SETA challenges, the Department is seeking to address shortfalls in funding for the QCTO. Stakeholders need to understand that there are significant potential advantages in the building of an effective QCTO, and that the

entire system will be strengthened and made more effective once the new systems are in place. The NQF ministerial guideline as gazetted set clear expectations that QCTO resolve the delegations so that SETA may focus on their core functions, as such resources including the skills levy have been identified as steering how PIVOTAL programmes (aka Occupations in high demand) are identified, address and quality assured. The Department has had to look to the SETAs to assist. The proposed 0.5% added to SETA Administration costs will provide for the QCTO to address the quality assurance and include quality development is aligned to PIVOTAL programme. SETAs and QCTO are asked to put in place the necessary agreements, plans and systems, including adjusting Strategic and Annual Performance Plans to enable these amounts to be paid to the QCTO.

Grant Breakdown



3. Purpose of SETA grant policies and procedures

Grant policies and procedures serve a number of purposes.

Firstly, they provide the basis for the SETA to allocate and disburse grants. Without policies, SETAs will be found in the annual audit to be spending funds without a proper mandate. The policies in place for spending of the levy will be assessed by the Auditor-General in the annual audit. If the policies have not been carefully framed to support the SETA's skills strategy then the SETA may find itself allocating funds in a manner that is conflicting with the policy and intention of the grant regulation policy. So when the Auditor-General asks a SETA to show their "pre-determined objectives", it is so an audit can be conducted to see whether funds have been spent in a manner intended to achieve those objectives. Policies are an important aspect of how resources are allocated and will be checked by the auditors to see whether in fact they do speak to these predetermined objectives.

Secondly, SETAs need to act in a manner that is transparent and fair, and that achieves value for money spent. These are principles that are much wider than the SETAs and in fact stem from the country's constitution. Policies need to set out, in a manner that is understood by SETA member companies and stakeholders, how grants and SETA funded projects can be accessed. Access implies an understanding of the processes, criteria and environment to enable participation. Policies are in effect the SETA "legislation" which member companies and stakeholders can refer to if they believe they are not being given adequate access or feel they are being treated unfairly. Transparency is not about every decision being done in public, but about the system of funding allocation being an open one that is understood by all interested. Policies must enable the reader to understand the way the SETA makes decisions. Whilst in the year ahead it is accepted that each SETA will undertake this process independently, going forward it is anticipated that there will be a greater alignment between SETA policies so that all applicants, regardless of sector, will all understand a single, streamlined system for grant application and allocation. SETAs were all asked to take this into account and to allocate staff and resources to this process so that best practices can be built on and weak ones shed.

Thirdly, policies set what SETA is trying to achieve and explain this in a manner that enables a SETA and its stakeholders to understand what is intended and then to measure the extent to which it has succeeded. In setting out policy for grants, the SETA is stating how it is allocating resources to achieve its strategic goals and objectives in setting out how the SETA will judge the effectiveness of this policies, the SETA is putting in place a mechanism for reviewing policy after implementing them over a period of time.

The SETA must ensure that as part of building capacity in the sector on the skills planning, policy and procedures, the OFO and system must be included as part the capacity building.

The Regulations require SETAs to review the Grant policies on an annual basis. The reason for this is not to create unnecessary work for Accounting Authorities, but to ensure that they put in place policies that are aligned to the goals and objectives of the organization. In reviewing policies annually, SETA boards can review the impact of the policies in the preceding year and adjust them in line with the changes they make to their plans. As indicated above however, there is also a need to build a more streamlined system going forward and in 2015/16 this will become a topic of focus in preparation for 2016 and beyond.

4. Guidelines on developing grant policies and procedures

4.1 Mandatory Grants

- 4.1.1 It is essential to emphasise the importance of the 20% grant for submitting Annexure 2 (of Grant Regulations) which is inclusive of WSP/ATR PIVOTAL plan and PIVOTAL Training reports. The grant has an important function. It is designed to encourage employers to provide data to the SETA on their workforce and skills needs. The data needs to be accurate and well prepared so that the SETA can make use of this data to establish skills needs in the sector. Bad data being provided to the SETA is not only ethically wrong, it distorts the aggregated WSP data that a SETA uses to inform the Sector Skills Plan. If completely false hard to fill vacancies and skills gaps are listed by an employer (for example, because the company has a training division that focuses on a particular set of occupational skills), then the SSP will reflect that incorrect skill and it will distort the strategy of the SETA. The Annexure 2 (of Grant Regulations) needs to reflect the actual needs of the employer. This is the reason for the regulations stating that mandatory grants are dependent on the submission of Annexure 2 (of Grant Regulations) that is approved by the SETA.

The Mandatory Grant submission should include the Annexure 2 (of Grant Regulations) template. The PIVOTAL plan is part of Annexure 2 (of Grant Regulations) and may not be submitted as a standalone and that in all instances when this grant is being referred to; it includes all components of the submission.

Annexure 2 (of Grant Regulations) is also the place where a firm's contribution to hard to fill vacancies and skills gaps can be captured. A firm with the capacity to contribute to any of these priorities should be encouraged to do so. In addition to their own roadshows, SETAs should also support national campaigns wherever possible.

Employers should plan and report using the Organizing Framework for Occupations' (OFO) 6 digit codes in order to capture jobs in the South African labour market in the form of occupations and to create a common language for talking about occupations and to enable labour market dialogue for talking about skills demand and supply. Planning and reporting should be done by completing Annexure 2 (of Grant Regulations) template.

SETAs will use the OFO codes to report on the hard to fill vacancies and skills gaps in their sector skills plans. All grant categories, such as learnerships, internships, apprenticeships, bursaries and the rest should be mapped to the occupation for which they prepare learners.

SETAs must verify and monitor the accuracy of the Annexure 2 (of Grant Regulations) data that is submitted to the SETA. All plans and reports should be studied and examined to establish credibility, and where some doubt exists, a follow up should be made with the person who completed the plans. It is important that SETAs do not simply use the submissions as a trigger for grant payments. If the report is seen by SETAs as purely there for compliance purposes, employers will inevitably treat them in the same way – purely as a task that has to be completed to obtain a grant, as opposed to it being a serious exercise to plan to meet training needs. It is suggested that SETAs should put in place criteria for approval, including evidence requirements, and processes to check a certain number each year, including visiting a number of employers to view the training that is being done, so as to communicate to stakeholders the importance of accurate plans and reports. The SETA must put in place quality and accuracy standards for Annexure 2 (of Grant Regulations) as part of its policies and procedures. These minimum checks must include completed documentation, accurate and verifiable plans, approved and consulted plans, use of relevant OFO as 6 digit level.

- 4.1.2 There is a challenge raised by employers in relation to payment of mandatory grants, namely that they are not paid in a consistent manner, and this impacts on planning. The regulations require SETAs to set out payment schedules in their policies. The regulations sets a minimum of what SETAs should pay the grant consistently on a quarterly basis. Ideally, companies would be able to obtain the grant on a monthly basis, but this should only be attempted if consistency can be maintained. If this is not achievable, then regular quarterly payments are preferred to irregular, or unreliable monthly payments. Employers who are genuinely planning and implementing training should be able to do so on the basis of a regular flow of funds, and not be in a position of having to chase their SETA for payment or experience cash flow problems. This is important for all companies, but in particular smaller companies. It is a commitment of

government to pay what is due to small businesses timeously and SETAs must show commitment to that by paying what is due to small businesses on time.

All Mandatory Grant payments will be made on the approved 20% Mandatory Grant as depicted in the table below:

Table1

Financial Year	Mandatory Grant Payment Conditions	Levy Period	Disbursements
April 2015 – March 2016	2015/16 Annexure 2 (of Grant Regulations) submitted by 30 April 2014 and additional SETA Board Annexure 2 (of Grant Regulations) Alignment Criteria	February 2015 – January 2016	20 % of 2015/16 levy paid into employer quarterly in arrears

4.2 Discretionary grants

4.2.1 It is important to emphasize again that the discretionary grants are just that – discretionary. The intention of the legislation and regulations is that mandatory grants are used as an incentive to employers to plan and implement training for their employees and create training and work experience opportunities for unemployed people. The purpose of the discretionary grants is for the SETA to use them to implement their SSP and to contribute to national targets. These are not grants that employers are entitled to, but grants the SETA deploys to achieve its objectives in relation to the development of the sector. The purpose of grant policies is not to set out how employers can “get their money back” but rather how the SETA will achieve the implementation of the SSP and make a meaningful contribution to national targets.

4.2.2 PIVOTAL programmes and discretionary grant funding

4.2.2.1 Key themes of NSDS III are:

- a) A well-researched set of priority occupations where supply challenges exist and key skills needed by people employed in the sector;
- b) the targeting of available resources to meet those skills needs;

- c) the recognition that a key weakness in relation to much current provision is the limited nature of the practical and workplace learning component. Much more attention needs to be given to structured integrated workplace learning, as highlighted in section 2.2 above; and
- d) Focusing on occupational qualifications at all levels (GET, FET and HET) in recognition of the fact that the problem of workplace learning occurs at each of these levels.

In the light of these themes it is recommended that the classification of workplace-based learning be further disaggregated and standardised across all SETAs as per the table below¹.

Workplace-based learning (WP-BL) WORK INTEGRATED LEARNING (WIL)	
• Learnership	Registered learnership qualification on the NQF
• Apprenticeship	Listed trades
• “N” Diploma Internship	Part of a technical qualification, e.g. 18 to 24 months post N6
• Vocational internship:	Part of a vocational qualification, e.g. Diploma, National Diploma, Higher Certificate and Advanced Certificate as per Policy 150 and the HEQSF
• Professional Internship:	Part of a professional qualification e.g. Teacher, Social worker, Medical Doctor. [This form of internship is normally funded as part of the overall qualification.]
• Candidacy	Post-graduation requirement for professional designation /registration, e.g. Professional Engineer; Lawyer; Accountant.
• Graduate internship	Improve chances of employability in those occupations where there is no formal, quality assured prescription for workplace learning, e.g. filmmaker
• Mentorship	Qualified person guides learner to competence

4.2.2.2 A related challenge is the limited information that exists on how effective the system is in relation to these key skills development interventions. To what extent are the programmes being delivered within workplaces starting to address these priority skills needs? There is an urgent need to obtain data from workplaces specifically relating to the implementation of PIVOTAL programmes.

4.2.2.3 In order to address the skills strategy and information challenges, Annexure 2 (of Grant Regulations) has been developed for use by employers seeking discretionary funding from a SETA and this is a prerequisite for employers to be considered for funding.

- 4.2.2.4 The Annexure 2 (of Grant Regulations) is compulsory for large and medium enterprises and voluntary for enterprises employing less than 50 people. SETAs are requested to develop a simplified Annexure for small and micro enterprises and to encourage maximum returns from companies of all sizes. The intention is to gather data and be able to report on progress (or lack of progress) in the collaborative project (of government, employers, trade unions, SETAs and providers) of addressing scarce and critical skills, with a particular focus on how far workplace-based learning is contributing to this.
- 4.2.2.5 In order to achieve expanded quality information from employers in the sector, SETAs are asked to run training and/or workshops for member companies and SDFs and to use the data from the reports to provide feedback to employers. The completion of Annexure 2 (of Grant Regulations) must not be seen as compliance driven but be understood as an important means of improving skills in the sector and in the country. Employers must see and experience the benefits of participating in discretionary funded programmes and providing feedback in the form of the Annexure 2 (of Grant Regulations) to the SETA. They will only experience that feedback if the SETA makes use of the reports to provide data and information back to them that adds value and helps them to be part of addressing the needs of the sector or the country.

4.2.3 Expanding policies to support national and sectoral strategies

Some SETAs have a small number of large employers. Some of those large employers have large training divisions. In other SETAs, the vast majority of member organisations are small businesses, some of which would better be described as micro enterprises employing less than five people. In some SETAs, there is a mix of large, medium and small companies. Each sector has different dynamics and contextual conditions, however many occupations straddle across a number of SETAs and where they are scarce, then a contribution from many SETAs to address the scarcity is required. It is not helpful for the Department to state how SETAs should allocate resources to achieve the implementation of sector specific plans set out in SSPs, however SETAs do have a role in contributing towards addressing national scarce skills too.

NSDS III has obliged SETAs to consider some key national development imperatives when writing their SSPs. Some SETAs are having difficulty working out what they can do in some of these areas. Very often it is the grant policies, and the procedures governing the way discretionary funds are utilized, that create this difficulty. In this context the following should be taken into account:

4.2.3.1 Grant policies must enable the SETA to work through public institutions, and if they inhibit such work, then the policies must be amended and aligned. SETA grant policies and procedures must clearly outline how aligning skills needs planning so as not to duplicate efforts.

4.2.3.2 Many SETAs restrict their grant funding to levy-payers only. This restricts their ability to develop priority skills for their sector and for the nation. This is also in contradiction to the Grant Regulations which clearly states, in regulations (10)(a), 10(b) and 10(c), that a broader range of beneficiaries qualify.

4.2.3.3 Some SETA policies also preclude them from offering institutional support which can be funded out of the non-PIVOTAL grant, sector-specific component of their discretionary grant (the 20% of discretionary funds). This is a problem as many institutions of learning, particularly public colleges and universities, require such support to be able to play their role in delivering skills for the sector and the nation. Policies should therefore be amended to include the possibility of grants being allocated for such measures as are listed below, where they do not do so already:

- Chair / Head of Faculty
- Increased number of lecturers
- Lecturer development programme
- Increased lecturer qualification
- Lecturer WP-BL in industry
- Learning materials
- Equipment
- Infrastructure
- Qualification and curriculum
 - New qualification by qualification types
 - Qualification upgrade
 - Curriculum development
 - Building or strengthening AQPs for QCTO

4.2.3.4 Other supports that SETA discretionary grants should be able to cover, where they do not do so already, are:

- Career guidance
- High school Mathematics, science and language programmes
- Sectoral Research
- Rural development programmes not covered above
- Stakeholder support and capacity building
- Training for retrenches to re-skill and re-build sustainable communities
- Youth development programmes not covered above.

4.2.4 Developing SMME's and cooperatives

SETAs have been experiencing a lot of difficulty in working with small businesses and enterprises. Whilst all SETAs talk in their plans about working with SMMEs and co-operatives, many find it hard to put in place sector-relevant plans. The intention is that SETAs should support small enterprises of different types to develop as part of their sector.

4.2.5 Addressing hard to fill vacancies and skills gaps

The Regulations require 80% of discretionary funds to be spent on PIVOTAL programmes that address scarce and critical skills. This is not a particularly radical change, as SETAs are currently spending around 80% of funds on such programmes. The intention is to encourage SETAs to be much more specific in how they allocate these funds, and to be able to account for spending on agreed priorities within the sector and nationally, including being able to report on impact. It should be noted that both SMME and PIVOTAL can be funded from this funding window.

4.2.6 Addressing skills gaps

SETAs must identify the hard to fill vacancies and skills gaps that they intend to focus on and the grant policies must show how funds will be allocated to address them through programmes that integrate theoretical and practical learning. Similarly for critical skills, rather than see a focus on short courses that make limited impact, there must be greater clarity on the substantial skills gaps, and the programmes that can address those gaps, again using the integrated approach to theoretical and practical learning.

4.2.7 Scheduling of payments

SETAs need to consider carefully the payment schedules for discretionary grant disbursements. Whether funds are disbursed directly to employers or in the form of projects there is a need to carefully plan on what basis payments should be made.

The principle that should be applied is that funds need to flow early to enable training to take place on a funded basis, and therefore to be a link between full payment and successful completion. Successful completion must include evidence of progress in achieving the SETA's intended objective. In other words, monitoring and evaluation needs to be factored in to the grants payment process. Grants must be seen not as a mechanism for reaching numerical targets, but as a means of achieving impact in the sector.

5. Definitions

'PIVOTAL is an acronym' which means professional, vocational, technical and academic learning programmes that result in qualifications or part qualifications on the National Qualifications Framework as contemplated in regulation 3(6) and (7) as read with regulation 6(11) to (15);

The definition of PIVOTAL Programmes includes internships, work integrated learning, apprenticeships, work experience placements that lead to a trade test or professional designation (candidacy), bridging course/exams of qualifications that lead to a designation of preparing which is in line with the NQF

SAQA has the responsibility to recognise professional designations by acknowledged professional bodies on the NQF. This registration is separate from SAQA's main responsibility to register qualifications and part-qualifications on the respective and specific sub-framework as identified in the NQF Act. A professional designation is not a qualification or part-qualification. A professional designation is a determination made by a professional body that is unique to that profession and it is linked to professional and ethical principles of that profession. A single qualification can be relevant to more than one profession and if a qualification or part-qualification is validly achieved by an individual, a professional body cannot revoke such a qualification or part-qualification but a professional body may revoke a professional designation unique to that profession if the individual breaches the ethical and professional rules applicable thereto. The Grant Regulations have a limited scope and application as the Skills Development Act gives the authority to the Minister to promulgate these regulations in terms of section 10(1)(b)(iii) and section 36 of the Skills Development Act to allocate grants in accordance with standards and criteria to employers, education and skills providers and workers. Unless a person or entity is accredited as a skills provider or registered as a private education institution to offer qualifications or part-qualifications as registered on the specific sub-framework, the person including a professional body, cannot be a skills provider or private education institution. The Skills Development Act does not give any recognition to a professional body or a professional designation and therefore the Regulations cannot give recognition to a professional designation or equate a professional designation to be the same as a qualification or part-qualification as defined in that Act or in the NQF Act. A professional designation cannot be included into the Grant Regulations as it goes wider than the powers given to the Minister to deal with the provision of qualifications and part-qualifications as provided in the Skills Development Act.

6. Policies and Procedures

6.1. Review of policies and procedures

SETAs are required to put in place review processes for grant policies and procedures and to adopt policies and procedures annually. Policies aligned to SP/APP and procedures should be drafted in such a manner as to clearly explain how they will enable the SETA to implement its SSP. It may be sensible for SETAs to review policies and procedures at the same time as reviewing SSPs, SPs and APPs, and submitting policies as Annexure to the Strategic Plan. It is important to annually reflect on whether plans for the previous and current year are being implemented, what has worked and enabled implementation, and what has hampered implementation. The aim should be to assess the performance of the SETAs in relation to outcomes and impact, and to learn lessons that enable plans and policies to be refined and improved. The Department will be looking for evidence of this type of reflection and learning within SETAs.

6.2. National Minimum wage

The National Minimum Wage Bill was signed by the President of the Republic of South Africa in December 2018 into Law and came into effect on 1 January 2019.

SETAs are therefore urged to review their policies in line with the approved National Minimum Wage Act of 2018.

7. Transfer of funds to QCTO

7.1. In terms of Sub regulation 2(4) of the SETA Grant Regulations:

*From 1 April 2013, a SETA will transfer as part of its administration costs as contemplated in sub-regulation (1) and approved in the annual SETA strategic plan, an amount that does not exceed 0.5% of the **total levy paid by the employer** to the QCTO for quality assurance functions as contemplated in section 26H of the Act, and the actual quantum of funds to be transferred will be determined by the Minister by 31 July of each year.*

The sub Regulation requires the Minister of Higher Education and Training to make a determination of an amount that does not exceed 0,5% of the **total levy paid by the employer** to be transferred to the QCTO. A SETA will transfer funds to QCTO based on the approved QCTO strategic plan and the Minister's determination of the percentage. Once the Minister has issued a determination on the percentage

allocated, then the amount allocated will be a commitment by a SETA and cannot be regarded as a surplus.

To avoid the accumulation of a determined funds for QCTO, a SETA must transfer to the QCTO the full SETA allocation by 30 April each year in line with determination issued to SETAs in July the previous year in preparation for the SETA planning and budgeting.

7.2. Process

The Minister makes projections for the next financial year using the actual levy income received by a SETA in the last audited financial year taking into consideration the Inflation Rate /Consumer Price Index and other economic factors. The CPI is a measure of changes in the purchasing-power of a currency and the rate of inflation.

NB: *The Minister may decide to use the CPI+1 to cater for other factors.*

The amount determined by the Minister is then divided proportionally amongst the 21 SETAs. In July, SETAs receive a circular and individual letters communicating the amount determined by the Minister and individual amount to be transferred by SETAs to the QCTO by 1 April of the following financial year. The amounts are communicated by the Department prior to SETAs submitting their Strategic Plans, Annual Performance Plans and Budgets in on order for SETAs to be able to include the amount as determined by the Minister in their budgets for the next financial year.

7.3. Illustration of QCTO Levy Calculations

The Table below gives an illustration of how the calculations were done based on one particular SETA, in this case **CDE SETA**.

Table 2: Levy Calculations for CDE SETA

Example of CDE SETA Levy calculations	
Baseline (80% of collected levies 2017/2018)	R 761 923
5.5 % CPI Year on year annual increase current year 2018/2019)	5.50%
Add annual increase	41 906

TOTAL	R 803 829
5.5% CPI Year on year annual increase 2019/20	5.50%
Add annual increase	44 210
TOTAL	R 848 039
0.5% as per SETA Levy	0.5/80
2019/20	
QCTO AMOUNT	<u>R 5 300</u>

Table 3: Example of Levy projections

EXAMPLE OF SETA LEVY PROJECTIONS - 2019/20 FINANCIAL YEAR					
SETA NAME	SETA LEVY PROJECTIONS				
	80%				
	BASELINE (2017/2018)	PROJECTIONS 2018/2019	QCTO (2018/2019)	PROJECTION 2019/2020	QCTO (2019/2020)
A	B	C	D	E	
	=A + 5.5%	=B*0.5/80	=B+5.5%	=D*0.5/80	
ABC SETA	400 613	422 647	2 642	445 892	2 787
CDE SETA	761 923	803 829	5 024	848 039	5 300
EFG SETA	348 368	367 528	2 297	387 742	2 423
HIJ SETA	376 377	397 078	2 482	418 917	2 618
KLM SETA	517 144	545 587	3 410	575 594	3 597
TOTAL	2 404 425	2 536 669	15 855	2 676 184	16 725

April CPI 5.5 % Y/Y Annual increase

The table above is an example of how the calculations are made based on the projected levy income at an annual increase of 5.5%. Although a SETA receives 80% of the levy, the calculations are based on the **total levy paid** by an employer as per Sub Regulation 2(4) of the SETA Grant Regulations of 3 December 2012. The 2017/2018 financial year is used as a base line to calculate the projected 2019/2020 QCTO levy income. The projected levy to be paid by ABC SETA to QCTO by April 2018 for 2019/2020 financial year is R 2 787. The projected levy income to be paid to QCTO by 5 SETAs is R 16 725.

8. Treatment of Surplus

It is important to note that with effect from 1 November 2017, SETAs are not allowed to transfer surpluses to the NSF. However, SETAs are expected to calculate and disclose the surplus accumulated.

- 8.1 It is important to note that in the SETA Grant Regulations, any word or expression to which a meaning has been assigned in the Act, shall have the meaning so assigned, unless the context otherwise indicates.
- 8.2 The Regulations state that at the end of each financial year, a SETA must have spent or committed at least 95% of discretionary funds available to it by 31 March of each financial year and a maximum of 5% of uncommitted funds may be carried over to the next financial year.
- 8.3 This is in line with the intention of the Grant Regulations which is to discourage the accumulation of surpluses and the carry-over of unspent funds at the end of each financial year.
- 8.4 Where exceptional circumstances have led to projected under spending, a SETA may submit a business case to the Minister to request permission to carry over the surplus.
- 8.5. The following information amongst others should be included in the SETA business case to assist the Minister in making a determination. These are recommended merely to provide guidance on what may be contained in the business case:
 - a) Reasons for the SETA's under-commitment or projected under-spending,
 - b) A detailed plan of action on how the under-commitment will be overcome by the SETA, with detailed deliverables and timeframes attached to the deliverables. Cost projections are to be included in the detailed plan, which is further broken down into the applicable timeframes as to when it is expected that the cost will be incurred.
 - c) The SETA's commitment to provide the DHET with quarterly feedback on commitment performance.

9. EXTENSION FOR THE SUBMISSION OF ANNEXURE 2 (OF GRANT REGULATIONS)

In terms of the SETA Grant Regulations, an application for Mandatory Grant must be submitted to SETAs by 30 April of each year. Sub regulation 4(8) gives a SETA

Accounting Authority the power to grant an extension up to a maximum period of one month from the submission date of 30 April for late submission of an application for a mandatory grant subject to a written request by a levy paying employer. The Minister of Higher Education and Training will not grant employers extension beyond the prescribed period as the Regulations do not make provision for this.

The SETAs should support employers to enable them to submit within the legislated time frame as late submission will hamper skills planning. The intention is to ensure that skills planning and SETA resourcing is aligned. Extensions with substantive reasons places onerous expectation for SETAs to duplicate efforts to address and integrate a multiplicity of late submission. The grant policies and procedures must consider alignment.

The SETA Grant Regulations require each SETA to develop funding policies and review them annually. The SETA funding policies should among other things outline how SETAs will deal with late submissions and employers who will lodge disputes or request access to information leading to the final decision of not accepting their application for Mandatory Grant.

The Promotion of Administrative Justice Act, ACT 3 of 2000, gives everyone a right to administrative action that is lawful, reasonable and procedurally fair and that everyone whose rights have been adversely affected by administrative actions has the right to be given written reasons.

The Promotion of Access to Information, ACT 2 of 2000 seeks to give effect to the constitutional right of access to any information held by the State and any information that is held by another person and that is required for the exercise or protection of any rights; and to provide for matters connected therewith.

The law requires that after the SETA Accounting Authority has made a decision to reject a request for late submission, the employer should be given access to the records or any information which led to the decision.

SETAs must consult with all pieces of legislation in dealing with any matter that relates to disputes and request for a review of the decision of the Board.

10. PUBLIC SERVICE AS A TRAINING SPACE

This Paragraph applies only to those SETAs which are receiving a government levy from their line departments.

On 30 March 2013, the Minister of Public Service and Administration issued Circular HRD1 to request all government departments to transfer 30% of their 1% personnel budget to SETAs. The Circular requires that $\frac{1}{3}$ of the budget be utilized for the Administration of the SETAs and $\frac{2}{3}$ for Discretionary Grants. The Discretionary Grants projects as identified in the circular may include Special Projects, Learnerships, Internships, Bursaries, Apprenticeship and Skills Programmes. The SETAs should utilise the Discretionary Grant funds in line with the SETA Grant Regulations of 3 December 2012.

In support of the DPSA Circular, the Department of Higher Education and Training issued the Circular and Guidelines to assist SETAs to implement the DPSA Circular as issued by their Minister. The SETAs are therefore advised to utilise the funds received from the Provincial and National Departments in line with the PFMA and the spirit of the SETA Grant Regulations of 3 December 2012.



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Higher Education and Training
REPUBLIC OF SOUTH AFRICA

