

REPORT OF THE PORTFOLIO COMMITTEE ON EDUCATION; CULTURE, SPORT AND RECREATION

4TH QUARTERLY REPORT (2016/17 FINANCIAL YEAR): MPUMALANGA REGIONAL TRAINING TRUST (MRTT), CONSIDERED BY THE COMMITTEE ON 11 MAY 2017

1. INTRODUCTION

Rule 218 sub-rule (1) (2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature (the Legislature) requires the Member of the Executive Council to table quarterly performance reports of the Department to the Speaker of the Legislature, within 30 calendar days after the end of a quarter.

The Portfolio Committee on Education; Culture, Sport and Recreation (the Committee) has a mandate in terms of Section 114 (2)(b) of the Constitution of South Africa (Act 108 of 1996) to oversee the performance of the Mpumalanga Regional Training Trust (MRTT) and hold it accountable through its oversight activities. The Committee considered the 4TH quarter performance report of the MRTT for the 2016/17 financial year to assess its progress in terms of actual outputs and expenditure versus planned targets and allocated budget.

2. METHOD OF WORK

The Honourable Speaker referred the 4TH quarter performance report of the MRTT to the Committee for consideration and report back to the House.

The Committee was briefed by the researcher on the analysis of the 3rd quarter performance report on 08 March 2017. The Committee met with the MRTT on 11 May 2017 to consider the 4th quarter performance report and written responses to questions raised by the Committee. Subsequently, the Committee considered and adopted its report on 13 June 2017.

The MEC for Education, Hon MR Mhaule was accompanied by the HOD, Ms MOC Mhlabane, the Board Chairperson, CEO of MRTT and his senior management team. Stakeholders invited to the deliberations were the Provincial Treasury, Office of the Auditor-General (AG) and Office of the Public Service Commission (PSC).

3. REMARKS BY THE MRTT BOARD

- a) The Board Chairperson, Ms FD Mthembu appreciated the opportunity to present the entity's 4th quarter performance report to the Committee. She appreciated the Committee's guidance and support to the entity in fulfilling its mandate.
- b) The site for the Provincial Skills Hub has been identified (Emalahleni) and the entity was in the process of benchmarking with other provinces on skills hub models. A decision was expected from EXCO regarding the legal entity status of the Skills Hub. As at the end of the 4th quarter the Skills Hub was funded through the government grant and reported directly to the Office of the CEO.

4. GENERAL OBSERVATIONS

- a) The entity did not implement all its planned targets for the 4th quarter as per its approved APP; the unachieved targets were deferred to the next financial year 2017/18. In addition to the ten (10) unachieved targets in the 4th quarter, there were also 30 unachieved targets reported in the 3rd quarter (31 out of 61 planned targets).
- b) As at the end of the 4th quarter the entity achieved 51 out of 61 planned quarterly targets (84%) and spent 73% of its quarterly budget.
- c) The revenue generation increased by R4 130 590 from R5 708 201 generated in the 3rd quarter to R9 838 791 generated in the 4th quarter. The entity exceeded its 4th quarter target by R2 941 183 (42%); the Committee commended the entity for the increased revenue generated.
- d) The Hotel and Tourism Academy (HTA) Hotel in KaNyamazane was renovated but it is under-utilized by government and the private sector.
- e) The under spending trend on Programme 2 Technical Training Operations continued from the 3rd quarter due to under spending on Capital Expenditure; it had been said in the 3rd quarter that the low capital expenditure was due to the reprioritization of the Emalahleni Training Centre to the 4th quarter. However, the 4th quarter capital expenditure was also very low.

5. ANALYSIS OF THE QUARTERLY BUDGET AND EXPENDITURE

5.1. Overall Budget expenditure (Table 1)

Table 1: Overall 4th quarter expenditure, per economic classification as follows:

Economic classification	Budget		Spent	% spent	% underspent
Compensation of Employees (COE)	15 583 370	Quarter 3	13 399 175	86%	14%
		Quarter 4	14 739 602	95%	5%
Goods & Services	13 728 632	Quarter 3	11 960 590	87%	13%
		Quarter 4	11 622 315	85%	15%
Capital Expenditure	750 000	Quarter 3	309 341	41%	59%
		Quarter 4	88 655	12%	88%
Transfers & Subsidies	30 289 356	Quarter 3	14 211 338	47%	53%
		Quarter 4	17 501 723	58%	42%
Total	60 351 358	Quarter 3	39 880 444	66%	34%
		Quarter 4	43 952 295	73%	27%

- The % under expenditure in Table 1 above is based on the quarterly budget structure of the MRTT. The budget per quarter was R 60 35 358 which includes government grant and own revenue generated.

Table 2: Overall 4th quarter expenditure per service delivery programme of the APP:

EXPENDITURE FOR THE 4 th QUARTER ENDED 31 MARCH 2017										
PROGRAMME	COMPENSATION OF EMPLOYEES 4 th quarter		GOODS AND SERVICES 4 th quarter		CAPITAL EXPENDITURE 4 th quarter		TRANSFERS AND SUBSIDIES 4 th quarter		TOTAL	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL EXPENDITURE
PROG 1:	3 331 530	3 347 817	1 191 462	2 518 530	225 000	38 710	0	0	4 747 992	5 905 056
PROG 2:	6 703 353	5 991 982	8 064 799	4 726 260	387 500	5 077	30 289 356	17 501 723	45 445 008	28 225 042
PROG 3:	5 548 487	5 399 804	4 472 371	4 377 525	137 500	44 868	0	0	10 158 358	9 822 197
TOTAL	15 583 370	14 739 602	13 728 632	11 622 315	750 000	88 655	30 289 356	17 501 723	60 351 358	43 952 295

5.2. Government Grant

The entity spent its grant allocation from the Department of Education as reflected below. This excludes own revenue generation. 100% of the grant was spent in the 4th quarter.

Revenue Source	Annual budget 2016/17	4 th quarter Budget 2016/17	Actual spent 4 th quarter 2016/17	% spent
GOVERNMENT GRANT				
Normal Grant	29 168 000	7 292 000	7 292 000	100%
Skills Hub	15 000 000	3 750 000	3 750 000	100%
Artisan Development Training Programme	130 981 000	32 745 250	32 745 250	100%
National Youth Service – (NYS)	29 286 000	7 321 500	7 321 500	100%
Comprehensive Rural Development Programme (CRDP)	24 380 000	6 095 000	6 095 000	100%
SUB-TOTAL	228 815 000	57 203 750	57 203 750	100%

5.3. Own revenue generated

The annual projected own revenue to be generated was **R27 590 432**. The projected revenue to be generated in the 4th quarter was **R 6 897 608** and the actual revenue generated in the 4th quarter was **R9 838 791** broken down as follows:

REVENUE SOURCE	Projected Annual Revenue for 2016/17	Projected Revenue for the 4 th Quarter 2016/17	Actual Revenue for the 4 th Quarter 2016/17
OWN GENERATED REVENUE			
Academic	1 217 800	304 450	110 558
Rooms	1 610 512	402 628	445 230
Food & Beverage	2 300 000	575 000	789 321
Technical Training Operations	4 500 000	1 125 000	1 528 909
Production	1 852 875	463 219	5 292
SACA	330 000	82 500	220 050
Other Income	3 000 000	750 000	2 456 112
Food Handlers	2 030 925	507 731	507 731
ECD	5 000 000	1 250 000	2 622 576
DoE Accommodation and Food & Beverage	1 500 000	375 000	375 000
CATHSSETA	2 000 000	500 000	389 362
Tourism Learners	148 320	37 080	0
DoE Training of teachers	600 000	150 000	283 650
Desk project	1 500 000	375 000	105 000
Total	27 590 432	6 897 608	9 838 791

In response to the Committee's question, the entity reported that the increased revenue was based on the following factors in the 4th quarter:

- Increase in the collection of learner fees
- Construction Education Training Authority (CETA) Learnerships
- South African Chefs Association (SACA)
- Increase in Department of Education projects secured (food handlers, ECD, Desk Project and Training of Educators)
- CATHSSETA Learnerships (Culture, Arts, Tourism and Hospitality Sector SETA)
- Increase in business at the Hospitality and Tourism Academy Hotel (Accommodation and Food & Beverage Services))

6. ANALYSIS OF THE PROGRAMME PERFORMANCE

ACHIEVEMENT OF 4 th QUARTER PLANNED TARGETS				
Programme	Planned Outputs	Actual Outputs	Non-achieved	% Achieved
1. Hotel and Tourism Academy	15	14	1	93%
2. Technical Training Operations	13	6	7	46%
3. Corporate Services	33	31	2	94%
TOTAL	61	51	10	84%

PROGRAMME 1: HOTEL AND TOURISM ACADEMY (HTA)

The programme is responsible to provide theory and practical skills training to the out of school youth in Hospitality and Tourism Academy.

Programme 1 consists of three (3) sub-programmes: (1) Academy; (2) Rooms; and (3) Food and Beverage. The sub-programme Academic deals with theoretical and practical skills training, while the sub-programme Rooms deals with graded and accredited accommodation services and workplace training. Food and beverage sub-programme deals with graded and accredited food and beverage services and workplace training.

PROGRAMME 1: SPENDING PER ECONOMIC CLASSIFICATION AS AT 31 MARCH 2017

Economic classification	Budget	Spent	% spent
Compensation of Employees (COE)	3 331 530	3 347 817	(100.5%)
Goods & Services	1 191 462	2 518 530	(211%)
Capital Expenditure	225 000	38 710	17%
Total	4 747 992	5 905 056	(124%)

Programme 1 over spent its quarterly budget by 24% but only achieved 93% of its planned targets for the quarter, which is 14 out of 15 targets.

Compensation of Employees (COE) – the entity incurred 0.5% over expenditure in the 4th quarter on COE but the reasons provided were not adequate. Since the 2nd quarter review the entity had not filled critical vacant funded posts at the HTA; the organogram was only approved on 9 December 2016. The Committee resolved in the 2nd quarter House Resolution that the posts must be filled by the end of the 2016/17 financial year. However, the entity gave the assurance that the posts would be filled by the 1st quarter of the 2017/18 financial year. The posts are: General Manager HTA, Manager Hotel Operations, Secretary to the GM and Public Area cleaner. As at 23 March 2017 the senior posts were at candidate selection stage.

Capital expenditure – the entity only spent 17% of its quarterly budget (83% under expenditure) due to the entity compensating for the over expenditure during the 3rd quarter and the renovations not completed.

Goods and services – the entity over spent by 111% due to more projects that were secured during the year and commenced in the fourth quarter which were not envisaged during the finalization of the budget. The entity indicated that the over spending was justified by the relevant increased revenue generated by the projects.

Malfunction of kitchen equipment and infrastructure

The MRTT achieved 83% compliance instead of the planned 85% for set hygiene standards; Health and Safety Regulations 5 and 6 of 1999 were not achieved due to malfunction of equipment and infrastructure in the kitchen at the HTA.

In response to the Committee's question in this regard, the entity reported to the Committee that procurement processes to source service providers to fix and replace the malfunctioning equipment had already commenced.

PROGRAMME 2: TECHNICAL TRAINING OPERATIONS

This core programme aims to develop skills in technical and other areas, provide quality training through mobile units and provide work place experiential training. It provides construction, manufacturing and engineering skills development (artisan skills development) in CRDP areas.

The programme has four (4) sub-programmes: (1) Training Centres; (2) Mobile Training; (3) Comprehensive Rural Development Programme and (4) Technical Production.

PROGRAMME 2: SPENDING PER ECONOMIC CLASSIFICATION AS AT 31 MARCH 2017

Economic classification	Budget	Spent	% spent
Compensation of Employees (COE)	6 703 353	5 991 982	89%
Goods & Services	8 064 799	4 726 260	59%
Capital Expenditure	387 500	5 077	1.3%
Transfer and subsidies	30 289 356	17 501 723	47%
Total	45 445 008	28 225 042	62%

Programme 2 only spent 62% of its quarterly budget (38% under expenditure) and achieved only six (6) out of its planned 13 targets (46% achievement).

The programme budget was under spent by 38% due to a 98.7% under spending on Capital Expenditure. In responding to the Committee's question in this regard, the entity explained that the under spending on Programme 2 was due to the late commencement of the CRDP and NYS academic training programmes.

The under spending trend continued from the 3rd quarter (84% under expenditure on Capital Expenditure) due to the recapitalization of the Emalahleni Training Centre from the 3rd to the 4th quarter. It had been reported that the project was still in the planning phase and quotations were being sourced from the central database.

Non-achievement of technical training targets

The Committee noted that the entity continuously struggled to commence timeously with planned training programmes in CRDP municipalities. Non-achievement of its technical training targets was a challenge for the entity and a turnaround strategy was needed.

Learner Placement challenges

The Committee has long been cognizant of the entity's challenges with regard to placement of learners. Placement targets have continuously not been met due to various operational challenges reported by the entity. It was noted that the issue of placement is a sector wide challenge since even TVET colleges were experiencing a challenge. During the 2nd quarter review the Committee had advised the entity to be more realistic in its planning of placement targets as the actual outputs were continually below the set targets. The entity asserted that the set targets (275 learners) to be placed was correct; what needed to be addressed was the slow completion of the mandatory institutional training (academic cycle).

The main challenges regarding placement of learners were identified as follows:

Some potential employers are reluctant to take in learners as it creates job insecurity amongst their permanent employees. Others are concerned about financial implications such as

occupational safety and employment benefits; while others complain that learners will waste production time and materials thus lowering their profits. Furthermore, some potential employers do not qualify to be accredited as a host employer by the relevant SETA's due to the lack of qualified mentors at host employers to meet the relevant SETA's required ratio of mentors to learners, thus they cannot accommodate the learners on workplace training.

MRTT strategies to address placement challenges

Despite the challenges in terms of placement, the Committee noted the progress made by the entity to date, as well as the ongoing efforts to secure host employers. It was noted that the entity was implementing strategies to deal with placement challenges. Three (3) dedicated Placement Officers were assigned to concentrate on learner placement by liaising with potential employers and negotiating for work place experiential opportunities.

Furthermore, the entity has constituted a task team to visit companies who have signed Service Level Agreements (SLA's) with MRTT to encourage them to accommodate enrolled learners so that they can complete their training programmes. MRTT assists the companies to claim the applicable tax incentives from the South African Revenue Services and to participate in discretionary grant allocations from the SETA's to enable companies to afford to accommodate the placement of learners.

PROGRAMME 3: CORPORATE SERVICES

The programme is responsible for marketing the institution to increase the intake of learners.

It has seven (7) sub-programmes: (1) Quality Assurance; (2) Finance; (3) Marketing; (4) Administration; (5) Human Resource; (6) Corporate Secretariat; (7) Performance Information.

PROGRAMME 3: SPENDING PER ECONOMIC CLASSIFICATION AS AT 31 MARCH 2017

Economic classification	Budget	Spent	% spent
Compensation of Employees (COE)	5 548 487	5 399 804	97%
Goods & Services	4 472 371	4 377 525	98%
Capital Expenditure	137 500	44 868	33%
Total	10 158 358	9 822 197	97%

Programme 3 spent 97% of its quarterly budget and achieved 31 out of 33 planned targets for the quarter (94% achievement). The programme budget was under spent by 3%; however, Capital Expenditure was under spent by 67% due deferring of capital expenditure for stores (materials and equipment items) to the new financial year 2017/18.

Non-compliance on employment equity targets

The entity faced a challenge of non-compliance with the Employment Equity legislation throughout the 2016/17 financial year. As at the 4th quarter, the status quo was at 30% female managers and 1% employees with disabilities. However, the entity made a commitment to the Committee to address the non-compliance in the 1st quarter of the 2017/18 financial year, when the vacant posts as per the new structure were envisaged to be filled.

7. FINDINGS

The Committee considered the 4th quarter report of MRTT and made the following findings:

- 7.1. The Hotel and Tourism Academy (HTA) at KaNyamazane was renovated during the 2016/17 financial year but it remains under-utilized by government and private sector.
- 7.2. The entity continuously struggled to commence timeously with planned training programmes in CRDP municipalities. Non-achievement of technical training targets was a challenge for the entity and a turnaround strategy is needed in this regard.
- 7.3. The Provincial Skills Development Hub located in Emalahleni was under implementation by the entity during the 4th quarter. The entity was in the process of benchmarking with other provinces on skills hub models.

8. RECOMMENDATIONS

In relation to the findings above, the Committee made the following recommendations:

- 8.1. All government departments and entities must make use of the facilities at the Hotel and Tourism Academy. Provide a progress report by 31 July 2017.
- 8.2. The entity must implement a turnaround strategy to mitigate the challenges encountered thus far with regards to poor performance on technical training programmes and achievement of the set targets. Provide a progress report by 31 July 2017.
- 8.3. The entity must continue implementing its plans for the Provincial Skills Hub. Provide a progress report by 31 July 2017 on the benchmarking exercise conducted, as well as an update on the EXCO decision regarding legal entity status of the Provincial Skills Hub.

9. CONCLUSION

The Chairperson expressed his gratitude towards the Honourable Members of the Committee for their constructive input during the consideration of the 4th quarterly report of the Mpumalanga Regional Training Trust for the 2016/17 financial year.

The Committee appreciated the leadership of Hon MR Mhaule, the MEC for Education and the HOD for the support provided to the MRTT. The MRTT Board was also thanked for its role in steering the entity to achieve its mandate. The Committee also appreciated the Legislature staff for their support to the Committee.

The Chairperson requests the House to adopt this Committee report with its findings and recommendations. The Department is requested to implement the House Resolutions herein and submit a progress report to the Legislature by 31 July 2017.



HON. VV WINDVOËL, MPL

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
EDUCATION; CULTURE, SPORT AND RECREATION**

21/06/2017~
DATE