

**REPORT OF THE PORTFOLIO COMMITTEE ON EDUCATION; CULTURE,  
SPORT AND RECREATION: 4<sup>th</sup> QUARTER PERFORMANCE REPORT OF THE  
MPUMALANGA REGIONAL TRAINING TRUST (MRTT) 2016/17 FINANCIAL  
YEAR - MEETING HELD ON 01 SEPTEMBER 2016**

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**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 to the Speaker of the Legislature, within 30 calendar days after the end of a quarter.

The MRTT is an entity of the Department of Education, which reports to the Honourable MEC for Education through the MRTT Board of Directors. The Portfolio Committee on Education; Culture, Sport and Recreation (the Committee) considered the 4<sup>th</sup> quarterly performance report of the MRTT for the 2015/16 financial year (F/Y).

The entity was assessed on the implementation of its 4<sup>th</sup> quarterly targets, as set out in its approved 2015/16 Annual Performance Plan (APP).

**2. METHOD OF WORK**

The Speaker referred the 4<sup>th</sup> quarterly performance report to the Committee for consideration and report back to the House. The Committee was briefed by the research section on the 4<sup>th</sup> quarter performance report of the MRTT on 24 May 2016. On 01 September 2016 the Committee met with the HOD, MRTT Board Chairperson, CEO and senior management to deliberate on the report. A teleconference was held on 28 September 2016 to consider the draft Committee report.

**3. GENERAL OBSERVATIONS**

- a. The Chairperson, Ms FD Mthembu appreciated the opportunity to present the 4<sup>th</sup> quarter performance report for the 2015/16 financial year.
- b. The CEO position was filled with effect from 01 June 2016.
- c. The 4<sup>th</sup> quarterly report was tabled in the Legislature by the MEC for Education on 03 May 2016, which was exceeded the stipulated 30 days after the end of the quarter.

- d. The progress report on the 3<sup>rd</sup> quarter House Resolutions was tabled on 10 May 2016 (due date was 20 May 2016) and they were incorporated into this Committee report.
- e. The total quarterly budget of the entity across all three programmes as per the 4<sup>th</sup> quarter report was **R 44, 528, 000**; actual expenditure was **R 39, 668, 000 (89% spent)**.
- f. The entity could not adhere to the 25% per quarter benchmark expenditure guide of Provincial Treasury, reportedly due to the unpredictability of own revenue generated.
- g. 49 out of 58 total planned targets for the 4<sup>th</sup> quarter were achieved (84.5% performance). The 3<sup>rd</sup> quarter performance in comparison was 29 out of 41 planned targets achieved (70.7%).
- h. Programme 1 Hotel and Tourism Academy achieved 100% planned outputs (16 out of 16 outputs), while Programme 2 Technical Training Operations achieved 67% (6 out of 9 outputs) and Programme 3 Corporate Services achieved 76% (22 out of 29).
- i. Achievement on planned targets fluctuated from quarter to quarter and there was shifting of targets from the 2<sup>nd</sup> to the 3<sup>rd</sup> quarter and from the 3<sup>rd</sup> to the 4<sup>th</sup> quarter.
- j. On the whole, the entity made an effort to improve the correlation between its spending and the performance of the entity against planned targets in the 4<sup>th</sup> quarter, which had been a challenge in the first 3 quarters of the financial year.

#### 4. ANALYSIS OF THE 4<sup>th</sup> QUARTER BUDGET EXPENDITURE (Table 1)

##### 4.1. Overall Budget expenditure

Reflected below are the various revenue sources of the MRTT for the 2015/16 financial year, and the own revenue generated, which equalled a total budget of **R264, 987, 577**:

REVENUE SOURCE	ANNUAL BUDGET 2015/16	Year To Date BUDGET 2015/16	Year To Date ACTUAL SPENT	% Spent
<b>GOVERNMENT ALLOCATIONS</b>	<b><u>92 734 000</u></b>			
Government grant	41 755 000	10 438 750	10 438 750	100%
National Youth Services	27 760 000	6 940 000	6 940 000	100%
CRDP	23 219 000	5 804 750	5 804 750	100%
<b>OWN REVENUE GENERATED</b>	<b><u>172 253 577</u></b>			
Academic Revenue (Tuition)	1 217 800	304 450	47 090	15.5%
Rooms Revenue	1 331 000	332 750	346 381	104%
Food & Beverage Revenue	1 778 700	444 675	631 167	141.9%
Training Centre - Emalahleni	3 850 000	962 500	1 467 604	-
Siyabuswa Catering Project	6 860 800	1 715 200	49 500	2.9%
Technical Production	3 852 872	963 218	0	-
Rental Income	360 000	90 000	78 000	86.7%
Cathsseta- Professional cookery	1 000 000	250 000	200 000	80%
Cathsseta – Assistant Chef	180 000	45 000	250 000	555%
DPWRT Project	2 256 300	564 075	0	-
ECD - Bushbuckridge	4 298 344	1 074 586	0	-

South African Chef Association	330 000	82 500	181 800	20%
Sanitation Project Bushbuckridge	16 583 761	4 145 940	0	-
Artisan Development	128 354 000	32 088 500	32 088 500	100%
<b>TOTAL</b>	<b>264 987 577</b>	<b>66 246 894</b>	<b>58 523 542</b>	<b>88%</b>

**Out of the R66, 248, 894 quarterly budget, an amount of R58, 523, 542 (88%) was spent by the end of the 4<sup>th</sup> quarter.**

The Committee asked the entity to explain the non-spending on Technical Production, Department of Public Works, Roads and Transport (DPWRT) project, ECD Bushbuckridge and Sanitation Project in Bushbuckridge. The entity explained as follows:

- There was actual spending on Technical Production; however, the sub-programme was unable to generate own revenue during the 4<sup>th</sup> quarter because most of the focus had to be shifted to the sanitation project that was lagging behind, hence the zero revenue generation in the 4<sup>th</sup> quarter of 2015/16. Technical Production also focused on non-income generation projects in the province for renovation of schools on behalf of the Department of Education.
- The bulk of the DPWRT Project was completed in the 1<sup>st</sup> quarter of the 2015/16 financial year and Early Childhood Development (ECD) project in November 2015 (3<sup>rd</sup> quarter) hence there was no further revenue generated.
- Sanitation project in Bushbuckridge was received in the previous financial year (2014/15), the remainder was carried forward to 2015/16, hence there was no invoice and income received for the 4<sup>th</sup> quarter of 2015/16 financial year.

## **5. ANALYSIS OF THE PROGRAMME PERFORMANCE**

The Committee noted as follows per programme:

### **PROGRAMME 1: HOTEL AND TOURISM ACADEMY**

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 namely Academic, Rooms and Food and Beverages.

**Programme performance:** all 16 planned targets were achieved and in some cases targets were exceeded.

**Expenditure analysis:** The quarterly allocation in this programme was R 7, 088, 000 and the programme managed to spend R5, 009, 000 (70%).

## SPENDING PER ECONOMIC CLASSIFICATION ON 31 MARCH 2016

Programme 1	Annual Budget 2015/16 R'000	4 <sup>th</sup> Quarter Budget R'000	4 <sup>th</sup> Quarter Actual R'000	Variance R'000	% spent
Compensation of Employees	16 056	3 924	3 203	721	82%
Goods and Services	10 729	3 097	1 671	1 426	54%
Capital Expenditure	1 123	67	135	(68)	201%
<b>Total</b>	<b>27 908</b>	<b>7 088</b>	<b>5 009</b>	<b>2 079</b>	<b>71%</b>

The Committee commended the entity for achieving all 16 planned targets in programme 1. However, the entity failed to spend the entire allocated budget at the end of the 4<sup>th</sup> quarter, with only 70% spent.

- Under spending was incurred on Compensation of Employees, resulting from vacant positions (General Manager: Hotel Tourism Academy and Manager: Hotel Operations).
- In addition, under spending was incurred on Goods and Services, of which expenditure was envisaged to take place for the entire financial year, but the Early Child Development (ECD) catering project and Siyabuswa catering project ended early, in November and December 2015 respectively, hence the under spending.

It was further explained that the (R68, 000) *overspending* on Capital Expenditure was sourced from extra funding through the virements process undertaken during the 3<sup>rd</sup> quarter of the financial year, by identifying savings to defray the budget pressures.

### **Sub-Programmes Performance**

On **Rooms sub-programme** the entity met all planned targets: maintained its 3 star grading; attained the set occupancy rate of 45% in the rooms and also exceeded its revenue target by R34, 963.

On **Academic sub-programme** the entity exceeded planned targets on PPI 101 and PPI 102 - number of learners that received training in approved unit standards for the National Certificate in Professional Cookery (72 learners) and the Assistant Chef Skills Programme (62 learners) due to high demand for this qualification and external funding from the national Department of Tourism.

PPI 105 – planned 4<sup>th</sup> quarter target for income generated from Learner Training Fees was R304, 450 but the entity generated R969, 037 due to The Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) discretionary grant and the South African Chef Association (SACA) external funding received.

On **Food and Beverage sub-programme** the entity exceeded all its planned targets due to the following strategies that were put in place by the entity:

- effective internal controls;
- management decision to employ a Food Safety Assurer on a fixed-term contract;
- an increase of business during the period under review.

#### **Support from other government departments**

In response to the 3<sup>rd</sup> quarter House Resolution to ensure that all government departments support MRTT, the entity reported that the CEO had duly written letters to the Heads of Departments of all governmental departments on 19 May 2016, requesting them to utilise the MRTT facilities in Kanyamazane.

The entity further reported that it is in liaison with the HOD of Health, Human Settlements, Co-operative Governance and Traditional Affairs and Public Works Road and Transport to secure work placement for completed and current learners.

#### **Sales and Marketing Strategy for the Hospitality and Tourism Academy (HTA)**

The entity reported in the progress report on 3<sup>rd</sup> quarter House Resolutions that the draft Sales and Marketing Strategy for the HTA (Hotel site) has been completed and needs to be presented to Senior Management first and then to the Marketing sub-committee of the Board. Thereafter it must be presented to the Board for approval.

#### **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) which targets mostly CRDP areas.

**Expenditure: 96% (R25, 627, 000) of the quarterly budget of R26, 818, 000 was spent.**

#### **SPENDING PER ECONOMIC CLASSIFICATION AS AT 31 MARCH 2016**

<b>PROGRAMME 2</b>	<b>Annual Budget 2015/16 R'000</b>	<b>4<sup>th</sup> Quarter Budget R'000</b>	<b>4<sup>th</sup> Quarter Actual R'000</b>	<b>Variance R'000</b>	<b>% Spent</b>
Compensation of Employees	30 000	7 500	8 827	(1 327)	118%
Goods and Services	49 484	19 227	16 800	2 427	87%
Capital Expenditure	730	91	0	91	0%
<b>Total</b>	<b>80 214</b>	<b>26 818</b>	<b>25 627</b>	<b>1 191</b>	<b>96%</b>

The 4<sup>th</sup> quarter over-spending on COE continued from the 3<sup>rd</sup> quarter, which was reportedly due to fixed term contractors employed in various projects included in the actual expenditure.

The Committee noted the non-correlation between spending (96%) and performance in Programme 2 (67%) and raised this concern with the entity. It was explained that the underspending was because training materials had been procured in the previous (3<sup>rd</sup>) quarter in preparation for the start of the new academic year on 11 January 2016. In addition, learner stipends were not paid for the full quarter due to school holidays.

The Committee noted that the entity needs to pay more attention to the opening and ending dates of academic terms when planning its quarterly targets.

**Programme performance:** 6 out of 9 planned targets were achieved (67%) in the 4<sup>th</sup> quarter. The following trend was observed over the other three quarters:

- 43% in the 1<sup>st</sup> quarter (4 out of 9 planned targets)
- 67% in the 2<sup>nd</sup> quarter (6 out of 9 planned targets)
- 44.4% in the 3<sup>rd</sup> quarter (4 out of 9 planned targets).

**The following 4<sup>th</sup> quarterly targets were not achieved:**

1. ***On PPI 202 - Placement of 1000 learners (artisans);***
2. ***On PPI 206 - Incubation and Facilitation of Business skills and employment opportunities for 720 learners.***
3. ***PPI 209 - Revenue generated from projects and workplace training.***

**On PPI 202** the annual target was 1000 artisans produced and the 4<sup>th</sup> quarter target was *placement of 1000 learners in the workplace*. However the actual achieved for the 4<sup>th</sup> quarter was "1 173 learners still at different levels of continuous institutional training and assessment". The entity indicated that recruitment of learners would be fast tracked as the learners in the different levels of training complete their institutional training. Hence the Committee noted that the entity did not achieve its planned 4<sup>th</sup> quarter target of ***placement*** due to incomplete institutional training and assessment of the learners.

**On PPI 206** the annual target as per the 2015/16 APP was 720 learners who received accredited institutional training in construction, manufacturing and engineering skills. The 4<sup>th</sup> quarter target was *Incubation and Facilitation of Business skills and employment opportunities for 720 learners*. However, the actual achieved was Facilitation and Incubation of 614 learners on workplace experiential learning through coaching and mentoring for work readiness in the work environment. The 106 variance was reportedly absconding of learners

due to pregnancies, deaths and resignations. The entity reported that these reasons were beyond their control; however, a risk management plan was to be developed to mitigate this matter in future.

*On PPI 209* the annual target as per the 2015/16 APP was R1, 684, 432 *Revenue generated from projects and workplace training*. The 4<sup>th</sup> quarter target was R421, 108 of revenue generated but this could not be achieved because the entity could not secure enough projects for generating income. The entity indicated that to mitigate the reason for non-achievement of the planned target, it would source more projects in the new financial year.

## **CHALLENGES FACING PROGRAMME 2**

**Failure to meet revenue generation targets from projects and workplace training** – this is an ongoing challenge. In some cases work is done (on planned targets) in one quarter but the expected sales happen only in the next quarter. During the 2<sup>nd</sup> quarter it was noted that steel work was done but sales were anticipated during the 3<sup>rd</sup> and 4<sup>th</sup> quarters.

**Accreditation of courses and issuing of authentic certificates** – the lapsing and renewal of accreditation for courses offered by the entity is also an ongoing challenge the entity faces. The process needs to be continuously monitored so that authentic certificates are issued to students when they complete their training.

**Slow printing of certificates by CETA (Construction SETA) for students completing construction programmes** – the delays were reportedly due to lengthy internal processes of the CETA. This has been a source of frustration for students who end up losing interest; the Committee had resolved that the matter should be elevated to the Hon MEC for Education. The progress report on the 3<sup>rd</sup> quarter House Resolutions indicated that the Senior Management of MRTT had held a joint meeting with CETA management on 18 April 2016 in an effort to address the blockages in the certification process.

The resolution was taken that some of MRTT staff members be deployed at CETA for a period of a week to assist with the technical problems experienced in the CETA Learner Management System. The next meeting will take place at the end of May 2016 to collectively check the progress made. MRTT on the other hand is printing the Attendance Certificates for learners who complete the institutional training.

**The following interventions were reportedly put in place to improve programme performance during the 2015/16 FY:**

- In order to meet the set targets, the entity embarked on a learner recruitment campaign in collaboration with the NYDA (National Youth Development Agency).
- Accreditation with EWSETA (electrical sector SETA) was renewed in order to attract more learners in the training centres and it was reported that many learners had already shown interest.
- As a means of assuring the communities about the correct accreditation status of the courses offered, the entity tasked the Quality Assurance Manager to issue letters to key stakeholders such as affected CRDP municipalities, which lists the accredited construction related skills programme courses offered by MRTT.

### **Hydra Arc – Mshiniwami Artisan Training Academy**

The Committee interacted with the MRTT on the artisan development training programme throughout the 2015/16 financial year, noting the ongoing progress and challenges relating to inadequate communication with students about internal processes, the lack of field training and job placement, as well as failure of some companies to pay the minimum youth wage.

During the financial year 2016/17 the Committee also visited the Mshiniwami Training Academy at Hydra Arc in Secunda on 27 May 2016 and interacted with students, management of Hydra Arc, Office of the Premier, MRTT, TVET Colleges from all three districts and SASOL Secunda.

### **PROGRAMME 3: CORPORATE SERVICES**

**The programme is responsible for marketing the institution to increase the intake of learners. It has seven (7) sub-programmes: Quality Assurance, Finance, Marketing, Administration, Human Resource, Corporate Secretariat and Performance Information.**

**Programme performance:** In the 4<sup>th</sup> quarter the entity planned to achieve 33 targets and achieved 27 of these targets (81.8%). The good performance was maintained throughout the 2015/16 financial year.

**Expenditure analysis:** from a quarterly budget of **R10, 622, 000** the 4<sup>th</sup> quarterly expenditure was reported as **R9, 032, 000 (85%)**.



**SPENDING PER ECONOMIC CLASSIFICATION AS AT 31 MARCH 2016**

<b>Programme 3</b>	<b>Annual Budget 2015/16 R'000</b>	<b>4<sup>th</sup> Quarter Budget R'000</b>	<b>4<sup>th</sup> Quarter Actual R'000</b>	<b>Variance R'000</b>	<b>%spent</b>
Compensation of Employees	26 111	6 369	4 376	1 993	69%
Goods and Services	17 251	4 248	4 656	(408)	110%
Capital Expenditure	38	5	0	5	0%
<b>Total</b>	<b>43 400</b>	<b>10 622</b>	<b>9 032</b>	<b>1 590</b>	<b>85%</b>

The entity indicated that Capital expenditure was not spent as it was mobilised in all the three (3) programmes in order to meet the requirement for the CETA (Construction Education and Training Authority) accreditation for programme 2, which had required extensive infrastructural and capital investment.

**Review of the organisational structure**

The Board of Directors referred the organogram to the Finance and Remuneration Committee of the Board for review and re-alignment in terms of the mandate and budget of the entity. The entity reported in the progress report on the 3<sup>rd</sup> quarter House Resolutions that the Senior Management Committee had adopted the realigned organisational structure on 16 May 2016. The Finance and Remuneration Committee recommended for the approval of the realigned organisational structure by the Board of Directors in a meeting that was held on 17 May 2016. The Board of Directors met again on 30 May 2016 to approve the realigned organisational structure. As at 01 September 2016 the realignment processes were still underway.

**Employment equity**

The Committee raised a concern about the entity not meeting the employment equity target of 2% people with disability. Currently the entity is at 1% of people with disabilities. It was noted that the entity does not have a strategy in place to address employment equity matters. The entity reported to the Committee that it resolved in cases where posts are relinquished due to resignations, deaths, misconduct and other facts, women and people with disabilities will be prioritized in filling those vacant positions in order to meet the set equity targets.

**MRTT partnerships with stakeholders**

It was noted that the Department of Health and MRTT have finalized the signing of a Service Level Agreement (SLA) for workplace integrated learning in hospitals. Through this programme, a total of 160 opportunities will be afforded to the learners trained in civil construction and engineering trades. The entity reported to the Committee that placement of learners had commenced in January 2016 and that 43 learners were already placed.

The entity could not achieve the planned target of one (1) training project on signed Service Level Agreements, indicating that feedback was awaited from the following potential clients:

- The Department of Labour - Unemployment Insurance Fund (UIF)
- National Home Builders Registration Council (NHBRC)

The Committee noted the following relationships with state owned entities that assist the MRTT in its training programmes:

- National Youth Development Agency (NYDA) - Assists in training learners in entrepreneurial and business skills;
- ESKOM - Provision of workplace training;
- Transnet – Workplace training for learners in the construction of a railway line from Mpumalanga to Swaziland (The project has not yet commenced).

**The following partnerships were also reported in the progress report on 3<sup>rd</sup> quarter House Resolutions:**

- **B&T Steel** is willing and ready to enter into partnership with MRTT but is still negotiating more placement opportunities with its sub -contractors to also accommodate artisan trainees at Hydra Arc. The recent partnership meeting was held on 17 May 2016 where the Service Level Agreement (SLA) was discussed and finalized and is currently awaiting presentation to the Executive Directors of B&T Steel for signatures.
- **Provincial Department of Health:** The SLA with the Provincial Department of Health was signed on 26 May 2016 by the HOD of the Department of Health. A total of 43 learners are already at various hospitals in the province: Belfast, Mametlhake, KwaMhlanga, Mapulaneng, Matibidi, Volksrust and Evander. The registered learners for this financial year will be afforded an opportunity at hospitals upon completion of the institutional training.
- **NYDA Partnership:** MOU between MRTT and NYDA was signed on 15 April 2016, which stipulates key areas of partnerships pertaining to youth skills development, formation of cooperatives and work place training opportunities.
- **EWSETA:** During the third quarter of the previous financial year (2015/16), MRTT approached EWSETA with the purpose of forging partnership for participating in the "Solar Geyser" projects. The project was put on hold for reasons not known to the

entity. However the entity continues to make follow ups with EWSETA in pursuance of forging relationships for other projects.

## **6. FINDINGS**

Emanating from the deliberations with MRTT on the 4<sup>th</sup> quarterly report, the Committee made the following findings:

- 6.1. The non-filling of the vacant positions General Manager: Hotel Tourism Academy (HTA) and Manager: Hotel Operations incurred underspending on Programme 1 (HTA).
- 6.2. MRTT has a Service Level Agreement (SLA) with the Department of Health, to place 160 learners trained in civil construction and engineering trades as from January 2016.
- 6.3. It was noted that the National Youth Development Agency (NYDA), Eskom and Transnet are assisting the MRTT with its training programmes by absorbing learners for workplace training.
- 6.4. **On PPI 313:** Number of Service Level Agreements (SLA)/ Purchase Orders for training projects signed, the entity could not achieve the planned target of one (1) training project, indicating that the entity was awaiting feedback from the Department of Labour and National Home Builders Registration Council (NHBRC).
- 6.5. Programme 2 Technical Training Operations did not achieve its planned targets for the 4<sup>th</sup> quarter due to failure to meet revenue generation targets from projects, lapsing and renewal of accreditation of courses, slow printing of certificates by Construction SETA.

## **7. RECOMMENDATIONS**

Based on the above findings, the Committee recommended that:

- 7.1. The entity must fill the vacant positions of General Manager: Hotel Tourism Academy and Manager: Hotel Operations immediately. Provide progress by 31 October 2016.
- 7.2. Ensure that the Department of Health absorbs the 160 learners in the civil engineering and construction trades as per the Service Level Agreement with them and provide a progress report by 31 October 2016.

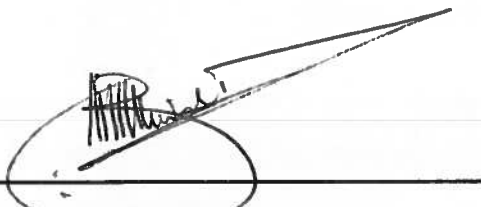
- 7.3. Provide a progress report by 31 October 2016 on the number of learners absorbed for workplace training by NYDA, ESKOM and Transnet in relation to the targets that were set for 2015/16 FY.
- 7.4. Update the Committee on the feedback received from the Department of Labour and National Home Builders Registration Council (NHBRC) in relation to the one (1) training project that was not achieved in the 4<sup>th</sup> quarter.
- 7.5. Implement measures to improve the performance of Programme 2 Technical Training Operations and provide a progress report by 31 October 2016.

## 8. CONCLUSION

The Chairperson would like to thank Honourable Members for their input in consideration of the 4<sup>th</sup> quarterly report of the Mpumalanga Regional Training Trust for 2015/16 financial year.

The Committee acknowledged the MEC for Education, Honourable MR Mhaule in absentia for the strategic leadership provided to the MRTT and the HOD of the Department of Education for the operational support provided to the entity. The Board's commitment to the entity was appreciated as it continues to ensure that the unemployed youth of Mpumalanga Province become a skilled workforce. The CEO and his senior management were thanked for presenting the 1<sup>st</sup> quarterly performance report.

The Chairperson requests the House to adopt this report with its findings and recommendations. The entity is expected to implement the House Resolutions contained herein and provide a progress report to the Legislature **by 31 October 2016**.



**HON. VV WINDVOËL, MPL**

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

12/10/2016  
**DATE**