

DEPARTMENT OF HIGHER EDUCATION AND TRAINING

Guidelines on the Implementation of SETA Grant Regulations



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



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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 NSDSIII 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 regulation 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 PIVOTAL programmes that address scarce and critical skills needs, but has stopped short of regulating detail of how funds should be spent and imposing any form of policy on the SETAs.

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 grants 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. 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. NSDSIII provides the framework for SETAs to make their own assessment of sector challenges. Some of the challenges that would appear to be quite common across SETAs include:

- The challenge of addressing scarce skills and critical skills. 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 integrated learning (WIL) within programmes.
- The programmes being offered are often not at the level required. For example in certain trades that 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 scarce skills 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 FET colleges and public ABET centres. This is primarily a result of the way SETAs have designed their policies and models of delivery. Only by addressing this challenge at a policy and service delivery structure 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 do not prohibit public providers participating. 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 grants policies state an intention of doing certain things, but other policies make it difficult to achieve what is intended within the grants policies. It is important that SETAs ensure policy alignment.

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 NSDSII and partly because 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 SSP, then in the Strategic Plan and APP, 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 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.

In developing policies and procedures, those same 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 and this is why the SETAs must develop strategy, plans and policies and not be constrained by detailed arbitrary targets set centrally. 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.

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 difficulty is that the QCTO is under-funded and in the current financial conditions there are unlikely to be additional funds available from the fiscus.

The Department has had to look to the SETAs to assist. The proposed 0.5% added to SETA Administration costs will go a long way to ensuring that the quality of the work done by SETAs is improved. SETAs are asked to put in place the necessary plans and systems, including adjusting Strategic and Annual Performance Plans to enable these amounts to be paid to the QCTO on a monthly basis.

3. Purpose of SETA grants policies and procedures

Grants policies and procedures serve a number of purposes.

Firstly, they provide the basis for the SETA to 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 funds in 2012 will be examined by the Auditor General in the annual audit conducted in June and July 2013. If the policies have not been carefully framed to support the SETA's sector strategy then the SETA may find itself allocating funds in a manner that is conflicting with the 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 and criteria and a conducive 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. Policies must enable the reader to understand the way the SETA makes decisions.

Thirdly, policies set out what the SETA is trying to achieve and explain this in a manner that enables the 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 its policies, the SETA is putting in place a mechanism for reviewing policy after implementing them over a period of time. The Regulations require SETAs to review the Grants Policies on an annual basis. The reason for this is not to create unnecessary work for Accounting Authorities, but to ensure that they do what they are required to do and put in place policies that are aligned to the goals and objectives of the organisation. 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.

4. Guidelines on developing grants policies and procedures

4.1 Mandatory grants

4.1.1 It is essential to emphasise the importance of the 20% grant for submitting a WSP and ATR. 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 wrong ethically, it distorts the aggregated WSP data that a SETA uses to inform the Sector Skills Plan. If completely false scarce skills 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. WSPs need to reflect the actual needs of the employer. This is the reason for the regulations stating that mandatory grants are dependant on the submission of WSPs and ATRs that are approved by the SETA.

SETAs should find a way of verifying the accuracy of the WSP, ATR and PIVOTAL training report data they receive. It would be unrealistic to do a workplace check of every submission, but at least 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 they are 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 WSPs and ATRs.

4.1.2 There is a challenge in relation to payment of mandatory grants in that employers claim they are irregular and this makes planning difficult. The regulations require SETAs to set out payment schedules in their policies. The advice of DHET is that as a minimum 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 owed to small businesses on time.

4.2 Discretionary grants

4.2.1 It is important to emphasise 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. 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 grants 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.

4.2.2 PIVOTAL programmes and discretionary grant funding

4.2.2.1 Key themes of NSDSIII are a) A well researched set of scarce skills (priority occupations where supply challenges exist) and critical skills (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; d) focusing on occupational qualifications at all levels (GET, FET and HET) in recognition of the fact that the problem of workplace learning occurs in each of these levels.

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 developed 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 both the skills strategy and information challenges, a PIVOTAL training report has been developed for use by employers seeking discretionary funding from a SETA. This report is attached as an annexure to the Grant Regulations.

4.2.2.4 As with WSPs and ATRs, these reports are compulsory for large and medium enterprises and voluntary for enterprises employing less than 50 people. Again, as with WSPs and ATRs, SETAs are requested to develop simplified PIVOTAL report templates 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 work integrated 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 PIVOTAL reports must not be seen as compliance driven but be understood as an important means of improving skills in the sector. Employers must see and experience the benefits of participating in discretionary funded programmes and providing feedback (in the form of the PIVOTAL report) 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 be part of addressing the needs of the sector.

4.2.3 One of the reasons that the Department is issuing guidelines and leaving room for SETAs to be creative is the understanding that all sectors are different. 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. It would not be helpful for the Department to state how SETAs should allocate resources to achieve the implementation of sector specific plans set out in SSPs.

However, what this means is that the SETAs themselves need to put time and effort into the development of policies that are carefully aligned to the objectives set out in their SSP. The Department will be examining policies and asking SETAs to explain how their policies will enable them to achieve what they state they are trying to achieve in their SSPs. SETAs will also be asked to explain the process followed to develop policies and achieve strategy and policy alignment.

4.2.4 NSDSIII 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. For example, some SETAs find the idea of working with FET colleges very difficult, others find the same challenges working with universities. Very often it is the Grants Policies, and the procedures governing the way discretionary funds are utilised, that create this difficulty. All SETAs can and should make use of FET colleges and universities but are constrained by the way that they disburse funds to employers. Some SETAs state “we give the grants to employers, but the employers chose who they use for training”, hence the difficulty in working through FET colleges and universities.

It is important for SETAs to understand that such an approach is contrary to the legislation, regulations and policy framework that is now in place. If SETAs feel constrained in this manner then it means a serious review of grants policies is needed. Grants policies must enable the SETA to work through public institutions, and if they inhibit such work, then the policies must be changed.

4.2.5 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. It is important to emphasise “relevant” as it is not the intention of NSDSIII that SETAs should chase artificial targets that lead them to fund skills development outside of their sector. The intention is that SETAs should support small enterprises of different types to develop as part of their sector.

SETAs have experimented with various mechanisms such as ESDAs, Lead Employers and Lead Providers, and with various sub-sector specific programmes. Some have partnered with the DTI or SEDA or with providers who specialise in small business development. It will not be the role of the Department to tell SETAs how they should tackle this complex matter. However, the Department will be examining carefully the plans that SETAs make that are relevant to their sector and the grants policies that they have in place.

If a SETA sets out in its grants policy a process that encourages the lead employer or provider concept, the SETA will need to explain how such a process has worked, whether it has the support of small businesses, and whether there has been any measurement of the impact of such a mechanism. Likewise, if the project approach is adopted whereby in the grants policy a certain amount of money is allocated to an “SME project” or “cooperative development project”, some evidence must be provided that such projects are supported by small business and are achieving impact.

4.2.6 The regulations require 80% of 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 funds, and to be able to account for spending on agreed priorities within the sector, including being able to report on impact.

4.2.7 SETAs must identify the priority scarce skills that they intend to focus on and the grants 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.

4.2.8 There is some evidence that some employers and training providers are exploiting their knowledge of the system, their relationships with SETAs, and their roles in governance structures of SETAs, to obtain a disproportionate amount of funding from SETAs. There is in particular evidence of providers who work with employers to drive their business development agenda by accessing funding from SETAs for the programmes they deliver. SETA grants policies and systems must include measures to ensure that discretionary funds are not monopolised by a few employers and providers, and that the driver of skills development funding is employer skills needs not provider business needs.

SETAs must monitor spending and report on the amounts paid to employers and providers (including workplace providers and training divisions in companies) and ensure that abuse of discretionary grant funding is identified and stopped.

4.2.9 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 Department does not wish to be too prescriptive as each SETA has its own dynamics and financial and risk management plans, sometimes put in place to respond to criticisms in annual audits. It would be wrong for DHET to impose payment schedules.

There are a number of considerations that SETAs should take into account. One is that of trying to encourage small businesses to participate. It is very difficult for small and micro enterprises to participate at their own cost and then claim after completion of programmes. A policy that states that payment can only be made on completion is unfair and acts as a disincentive to small enterprises. In fact it restricts access. On the other hand, SETAs cannot pay up front without any evidence of actual implementation. A balance needs to be struck between actively encouraging participation and risk management.

It is suggested that SETAs should consider payment in tranches linked to outputs. An initial payment of 40% might be linked to the meeting of due diligence requirements and the enrolment of learners, a further 40% on evidence of learners completing a substantial part of the training and parties to the training fulfilling their commitments, and the final 20% on successful completion and close out report. Obviously, more detail is required in the policies and procedures and clear guidance is required that all stakeholders understand and work with. However, the principle that should be applied is that funds need to flow early to enable training to take place on a funded basis, and for there 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. Review of policies and procedures

SETAs are required to put in place review processes for grants policies and procedures and to adopt policies and procedures annually. Policies 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 annexures to the SP. 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 SETA 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.

