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Sector Education Training Authority

• Tel: (011) 456 8579 • Fax: (011) 456 8757

"LGSETA INTERIM UPDATED PROGRESS REPORT TO THE PORTFOLIO COMMITTEE ON PROVINCIAL AND LOCAL GOVERNMENT

20th March 2007

Councilor Gavin Lobelo
Chairperson

Foreword By Chairperson

- In August 2006 we reported to the portfolio committee major achievements for the financial 2005-6 as presented in our annual report circulated.
- In May 2006, the Board of the LGSETA resolved to support the sector in achieving its sectoral priorities, by collaborating with various organization and Government Departments .
- To this extent memoranda of understanding were entered into with the National Treasury , the DPLG, IMFO, South African Council of Property Valuers, SA Institute of Civil Engineers, and DPW on various EPWP related projects.

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Foreword By Chairperson –Contd /..

Other MoU were entered with the following Organizations:

- KZN DoE FET Unit
- Gauteng DoE FET Unit
- Council for Higher Education
- Gauteng Department of Local Government
- North West Department of Local Government Housing and Traditional Affairs
- Development Bank of Southern Africa-LGNET

Inter –Seta Memoranda of understanding to be finalised with the following Setas:

- Transport SETA
- Energy SETA
- ETDP SETA

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Foreword By Chairperson –Contd /..

The following strategic priority areas have been approved for funding from the Discretionary Fund for the 2006-2010.All future reports to stakeholders will be clustered accordingly based on these strategic areas.

Infrastructure and service delivery (links to both municipal key performance areas and ASGISA)	Project Name: Infrastructure asset maintenance Labour intensive construction(EPWP) Electricity, water, roads	Method of delivery: RPL Learnership/ skills programme Internship/ bursary apprenticeship
Financial Viability	Property valuation Audit & procurement Municipal finance	RPL Learnership/ skills programme Internship/ bursary
Community based participation and planning	Ward committees Planning(including urban) IDP LED	RPL Learnership/ skills programme Internship/ bursary
Management and leadership	Training Committees Councillors Traditional leaders Municipal leadership development	RPL Learnership/ skills programme Internship/ bursary
ABET	Customised ABET	Structured learning

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"LGSETA INTERIM UPDATED PROGRESS REPORT TO THE PORTFOLIO COMMITTEE ON PROVINCIAL AND LOCAL GOVERNMENT
20th March 2007

PRESENTED BY :
SIDWELL MOFOKENG
CHIEF EXECUTIVE OFFICER

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SECTOR SKILLS PLANNING

- In terms of the Skills Development Act each SETA is obliged, to prepare a Sector Skills Plan (SSP) and annual updates for submission to both DPLG and the Dept of Labour. The SSP provides an analysis of the labour market within the sector and an annual listing of skills requirements.

- The SSP Review process was completed by end of August 2006, and was presented in detail to the Honourable members on 20 February 2007.

- That presentation will not be repeated, but we will take the opportunity to present the LGSETAs responses to some of the issues raised in the SSP, skills demands presented by new legislation or regulation, and an update on the project activities presented in October 2006.

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SECTOR SKILLS PLANNING contd/…

- Absolute shortages were identified in the following occupational areas:
  - Engineering: electrical and civil
  - Technicians and artisans: all types
  - Municipal planning: urban planners, development planners (including LED and IDP)
  - Environmental health
  - Emergency and disaster (including fire and rescue)

Significant skills gaps were noted in the following areas: strategic management and planning (including council), project and contract management (all types), financial management and basic financial systems, administration, human resources, and basic literacy and numeracy. The following slide illustrates the learning framework developed by the LGSETA to address some of these needs

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LGSETA Strategic Priority areas for Discretionary grant funding:

Infrastructure and service delivery (links to both municipal key performance areas and ASGISA)	Project Name: Infrastructure asset maintenance Labour intensive construction(EPWP) Electricity, Water, Roads	Method of delivery: RPL Learnership/ skills programme Internship/ bursary apprenticeship
Financial Viability	Property Valuation Audit & Procurement Municipal finance	RPL Learnership/ skills programme Internship/ bursary
Community based participation and planning	Ward committees Planning(including urban) IDP LED	RPL Learnership/ skills programme Internship/ bursary
Management and leadership	Training Committees Councillors Traditional leaders Municipal leadership development	RPL Learnership/ skills programme Internship/ bursary
ABET	Customised ABET	Structured learning

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TRAINING & DEVELOPMENT FRAMEWORK FOR MUNICIPALITIES / TRADITIONAL LEADERSHIP

FINANCE+LEGAL CORPORATE

HR AND ADMIN

TECHNICAL

PLANNING

HEALTH

MUNICIPAL SERVICES

COMMUNITY SAFETY

NATIONAL CERTIFICATE MUNICIPAL OPERATIONS
NQF 4
NEW ENTRANCE IN THE FIELD OF MUNICIPAL ADMINISTARION

LEADERSHIP DEVELOPMENT PROGRAM
3ND LEVEL STRUCTURED LEARNING CLR'S AND SENIOR MANAGERS

RPL

Community Development Work NQF 5

COMMUNITY FACILITATION & GOVERNANCE NQF3
2ND LEVEL STRUCTURED LEARNING CLR'S -AMAKHOSI

Community Development Work NQF4

ABET

COMMUNITY PARTICIPATION -FACILITATION NQF 2
1ST LEVEL STRUCTURED LEARNING CLR'S + WARD COMMIITTEE

TRADITIONAL LEADDERS AND IZINDUNA/MATONA

CAPACITY BUILDING
INDUCTION PHASE COUNCILLORS / TRADITIONAL LEADERS

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the dplg Department: Provincial and Local Government REPUBLIC OF SOUTH AFRICA

SALGA South African Local Government Association

Projects Approved by the LGSETA November 2006

- Internal Audit Training : 200 internal audit technicians R3.5 Mil
- Industrial relations Training for Municipal Officials: 1000 employees R7 Mil
- Construction Contractor and Road Builder: 346 employees R3 Mil
- Technical services: Siyancuma: 130 employees R2,5 Mil
- Infrastructure Asset Management : 1200 employees R9.75Mil
- Property Valuation: 50 bursaries + 30 interns p.a x 3 years R6,Mil
- Extension of the bursary contract for engineers R1,2Mil
- Extension of the CDW learnership: 635 learners R13 Mil
- Framework agreements with Districts for skills programmes and learnerships : R 42 Mil = 2 500 learners

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Projects Approved by the LGSETA November 2006 Quality Assurance Functions

- Assessor, Mentor, Coach Training –900 Employees-R2,7Mil
- Moderator Verify Training – 900 Employees R2,7 Mil
- Quality Management System for providers R852 000
- Recognition of Prior learning- R600 000
- Transformation of Apprenticeship assessment R290 000
- Impact assessment study R4Mil
- Monitoring & Evaluation of providers /Compact Study- R900 000
- Accreditation of Providers R937 000

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SECTOR SKILLS PLANNING contd/...

2.1.1 Workplace Skills Plans (WSPs) submitted:

- Whilst the sector has a high compliance rate with the Skills Development Act and the Skills Levy Act, recording WSP submission rates of about 77%, and only 13 municipalities omitting to pay levies during the 2004/5 financial year, the gazetted cut – off dates for the submission of documentation (WSPs) whilst welcomed by the LGSETA provide a considerable challenge for local authorities. Evidence of this is the decline in submission rates of WSPs to 62% in the 2005/6 year.
- This has however, increased again to 77% overall for 2006/7
- The WSP and reporting templates have been changed to take account of the Dept of Labour reporting requirements

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SECTOR SKILLS PLANNING contd/...

WSP Comparative Submissions

Municipal Type	2004/2005	Percentage	2005/2006	Percentage	2006/7
Metropolitan	6	100%	5	83%	83%
District	37	78%	27	57%	84%
Local	177	76%	145	62%	76%
Total	220		177		

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SECTOR SKILLS PLANNING contd/...

The table below represents the percentage of staff employed in local government trained classified by Province:

Province	Figures of staff trained 2005/6	% of staff trained	Figures of staff Trained 2006/7
Limpopo	3,047	38%	Awaiting final reports
Western Cape	13,752	35%	Awaiting final reports
Northern Cape	1,908	32%	Awaiting final reports
North West	3,318	30%	Awaiting final reports
Eastern Cape	5,380	28%	Awaiting final reports
Kwazulu Natal	8,460	22%	Awaiting final reports
Free State	3,304	22%	Awaiting final reports
Mpumalanga	2,076	20%	Awaiting final reports
Gauteng	5,840	12%	Awaiting final reports

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SECTOR SKILLS PLANNING contd/...

2.1.2 Projects SSP

- The SSP review identified an acute shortage of skills in engineering and municipal technical services.

- The LGSETA response to this has been to initiate a bursary scheme for municipal employees, currently in possession of a national technical diploma in engineering who wish to upgrade their qualification to a B Tech degree in any of the engineering fields linked to municipal functions.

- Preference was given to historically disadvantaged individuals from smaller municipalities. The bursary scheme worth approximately R 500 000 p.a is administered by the SA Institution for Civil Engineers on behalf of the LGSETA. The bursary scheme currently has 40 beneficiaries. A further 20 bursaries have been awarded at 2 bursaries per province and a further 2 for exceptional candidates.

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SECTOR SKILLS PLANNING contd/...

Internships

- Internship programmes are being run in the LG sector in conjunction with the SA Institution for Civil Engineering, the SA Council for the Property Valuers Profession, National Treasury and IMFO.

Labour Intensive Construction: EPWP

- The LGSETA, in support of the Expanded Public Works Programme led by the Dept of Public Works and implemented through the Municipal Infrastructure Grants, is training some 2100 senior technical officials within municipalities in the design and implementation of labour intensive construction processes. The labour intensive construction unit standards have been registered by the Construction SETA which is assuming responsibility for the quality assurance of the training and the certification of the successful learners. This programme is now complete.
- A further request has been received from the DPW to support the National Skills Fund application to train an addition 3600 emerging contractors over a three years period.

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SECTOR SKILLS PLANNING contd/...

ABET

The table below illustrates the number of learners employed within the local government sector, engaged in ABET programmes funded by the LGSETA discretionary grants in 2005/6 (16 month contracts)

Province	Total No. Of Learners
Gauteng	2 194
Limpopo	774
Mpumalanga	946
Kwa-Zulu Natal	3296
Western Cape	801
North West	1376
Northern Cape	651
Free State	1283
Eastern Cape	2074
Total	13 395

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SECTOR SKILLS PLANNING

An amount of R7,74Mil

- Contracts for 4 292 ABET learners have been issued in the 2006/7 cycle.
- .A feasibility study for a Customised ABET programme was concluded in October
- On the basis of the feasibility study a tender has been launched for the customisation of the ABET programme. The tender has closed and is scheduled for evaluation on 26/ 27 March
- Development of the programme should be concluded by September 2007 for implementation in 2008

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SSP Continued:

R1.2 mil has been spent on the initial Skills profiling of Traditional Leaders

- Workshops for Traditional Leaders and Traditional Leadership Institutions:
- In February 2006 this Committee strongly urged the LGSETA to explore programmes to develop the skills and capacity of traditional leaders and their institutions. The LGSETA has done this in conjunction with the NHTL, DPLG and SALGA.
- Provincial needs assessment workshops have been conducted in 7 provinces (including N Cape) and 1 national workshop. Overall some 300 traditional leaders and associated interested people participated.
- On the basis of the workshops a scoping report has been produced and feedback given to all participating provinces
- Local Economic Development and Community Development and Facillitation emerged as two of the priority areas. Materials have been developed and training will commence in June.

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SSP Continued:

- A Memorandum of Understanding has been signed between the LGSETA and DPLG, outlining areas of mutual interest, acknowledging each parties' area of responsibility and outlining areas of mutual co-operation
- Areas of mutual co-operation are:
- Infrastructure and service delivery
- Financial viability
- Community participation and planning
- Management and leadership
- ABET
- Any research that relates to, or supports the above areas of intervention

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SSP Continued:

- Joint projects are either current, or envisaged, in the following areas:
- councilor and ward committee training
- skills audit
- IDP, LED
- municipal financial viability (including property valuation)
- Infrastructure (including asset management)
- ABET for councilors and ward committee members

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LEARNERSHIP Contd/..

3.1 Community Development Workers

- The LGSETA recruited and trained a total of 1374 learners in the CDW Learnership Programme in phase one, which started in February 2004. All the 9 Provinces participated in the programme with the Western Cape recruiting 400 learners, almost tripling what the other Provinces recruited. About 1317 learners successfully completed the CDW Learnership in 2005, with 57 dropping out mainly due to gainful employment in other government departments. 731 learners graduated between November and December 2005, in the following Provinces:
- Northern Cape 197
- Western Cape 366
- Eastern Cape 168

A further R13million has been set aside to train a further 635 CDW

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LEARNERSHIP Contd/..

3.2 Municipal Finance

- With the advent of the Municipal Finance Management Act, the demand of the Municipal Finance Management Learnership has acutely increased, with the National Treasury signing an MoU with the LGSETA to implement the Level 6 Learnership. The LGSETA has developed and registered an NQF Level 5 two year National Diploma and a Level 4 qualification have gone on public comment phase.

- There are 291 learners currently in the Basic Finance Level 5 Learnership in three Provinces nationwide. Western Cape, George has about 114 learners, Gauteng has a total of 117 and Mpumalanga has 60 learners. The Learnership in question started in 2004 and is at its final stages at this point. It is important to note that the Basic Municipal Finance Learnership is scheduled for 18 months. The LGSETA has invested R5, 7m in development and implementation of the Basic Municipal Finance Learnership, which is aimed at lower level of municipal employees.
- Training with respect to Municipal Finance with National Treasury is being rolled out Nationally through Wits University.

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LEARNERSHIP Contd/..

Councilor Development & Ward Committee Training

- The LGSETA jointly with DPLG and SALGA have embarked on a process of developing Standards and Qualification for training of both Municipal Councillors and Ward Committee members. The training will be rolled out in four phases with SALGA has completed the induction and profiling of councilors with financial assistance from the LGSETA. An application of R139 Million was submitted to the National Skills Fund and was declined.
- The LGSETA is sourcing from its discretionary fund an initial R18,million to kick start the project in the 2007/8 financial year

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LEARNERSHIP Contd/..

Local Economic Development (LED)

For LED a comprehensive qualifications framework has been developed, covering

- NQF 4 (LED Officer)
- NQF 5 (LED Coordinator)
- NQF 6 (LED Manager)

The rollout of the NQF 5 and NQF 6 will be rolled out with the support of higher education training provider through contact and distance learning methodology

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LEARNERSHIP Contd/..

OTHER Learnerships

- Since April 2006, some 6063 learners employed in the sector have participated in either structured learning or Learnerships (excluding ABET, projects approved in November, and the framework contract with the Districts)
- Of this number approximately 820 are registered on Learnership
- Management Leadership Development Program was implemented in the sector for both Councillors Phase 1- 406 Councilors and senior officials have completed.
- Phase 2 started with an additional 438 Learners
- This training was funded through the capacity building Fund o R900 000 the LGSETA allocated to SALGA and from mandatory grants disbursed to municipalities.
- In Gauteng the MEC funded part of the training for the municipalities who could not afford to fund the trainng

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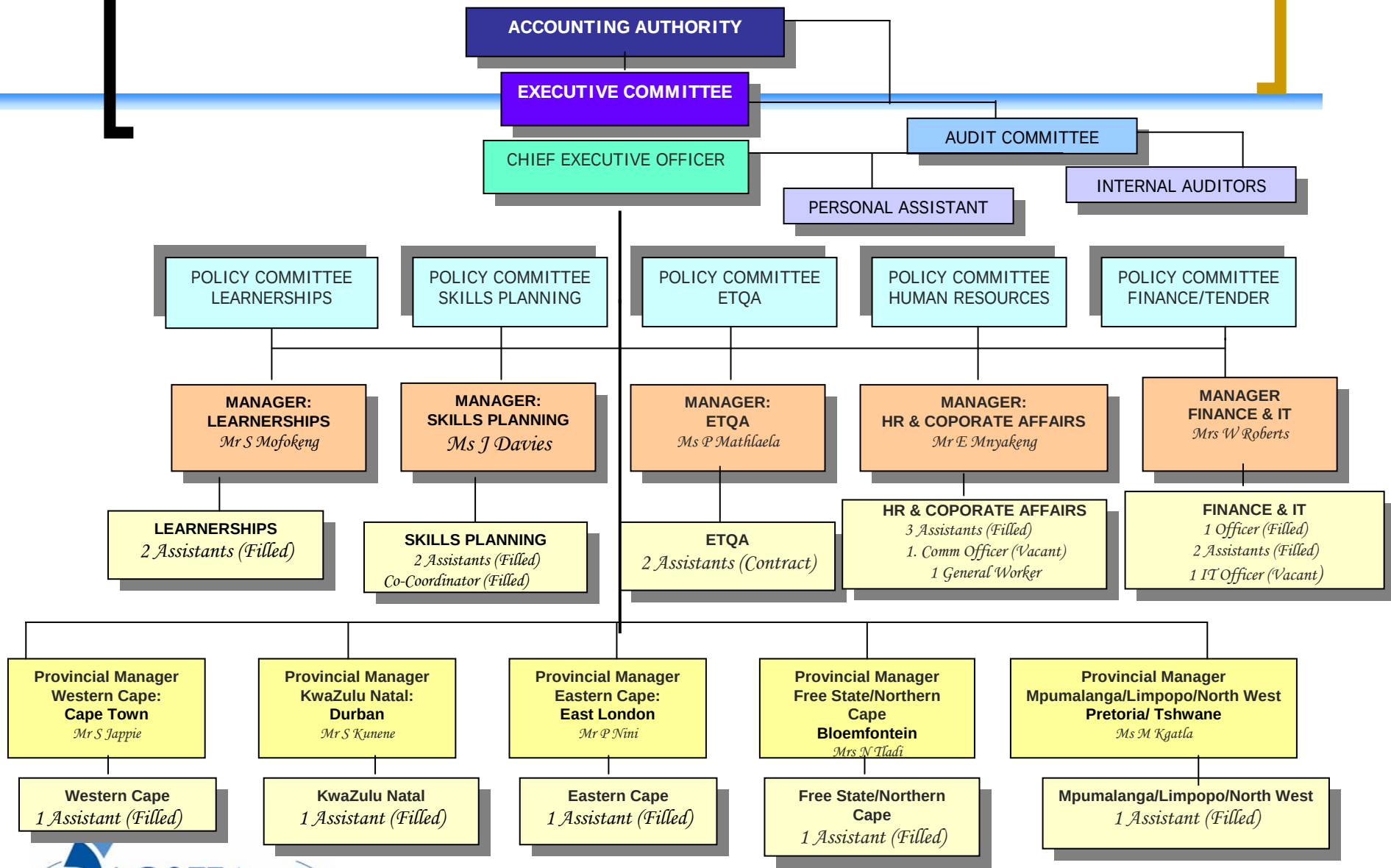
APPROVED ORGANOGRAM OF THE LGSETA



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FINANCE & INFORMATION TECHNOLOGY

- The mandate of the Finance and Information Technology (IT) Department is to plan, execute and to efficiently manage the finances of the SETA to ensure that assets are properly safeguarded, a fair and transparent procurement system is implemented, that all revenue is accounted for and to ensure the development and implementation of a fully functional integrated management information system (MIS), secure and stable network and Information Technology (IT) environment in ensuring that the organisation delivers on its mandate.
- The mission of the Finance and IT Department is to assist in making the organisation sustainable through the development, implementation and maintenance of an effective accounting system and administrative controls for record keeping and reporting, proper financial management policies and procedures in accordance with applicable legislation and internationally accepted accounting standards.
- In accordance with the PFMA the Accounting Authority of a Public Entity must ensure that there are effective, efficient and transparent financial, risk management and internal control systems and an internal audit system controlled by an Audit Committee.

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FINANCE & INFORMATION TECHNOLOGY Contd/..

- The Audit Committee is accountable to the Accounting Authority of the SETA and must, *inter alia*, ensure that the SETA has taken appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, the implementation, evaluation and monitoring of policies and finance measures in compliance with Generally Accepted Accounting Principles (GAAP) and the Public Finance Management Act (PFMA) and that Treasury Regulations, which may be promulgated from time to time, are enforced.

- A Business Risk Analysis workshop is scheduled in March 2006 which will form the basis for the development of an internal audit operational plan, audit execution timetable and a detailed audit coverage plan for the 2006/2007-Financial Year. The following internal audits were completed during the year under review:
    - Finance and administration
    - Governance and Regulatory
    - Marketing and Communications
    - Human Resources
    - Procurement and Programmes
    - Information Technology and Systems
- .

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FINANCE & INFORMATION TECHNOLOGY Contd/…

- The LGSETA has received an unqualified audit opinion for the 2005/2006-Financial Year. Matters of Emphasis included in the Report of the Auditor-General on the Financial Statements for the year ended 31 March 2005 are currently receiving highest priority.

- On the IT side, an integrated Management Information System (DATANET), national database of employers, providers, moderators, verifiers, learnerships and registered learners in the sector and a secure and effective system to track levies and disburse grants have been implemented. A stable and virus-free IT and network environment is being maintained.

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FINANCE – SDL INCOME AND GRANT DISBURSEMENTS

OPERATIONAL BUDGET / LEVY/GRANT ADMINISTRATION

Skills Development Levy Income and Expenditure

- In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No 9 of 1999), registered member companies of the SETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collects the levies on behalf of the Department of Labour. The Department of Labour transfers 80% of the total skills development levy paid by employers in the sector to the LGSETA and 20% to the National Skills Authority. Member employer company levy payments for Skills Development levies are recognised in respect of Administration 10% (2006:10%), the Employer Grant Fund 50% (2006: 50%) and the Discretionary Grant Fund 20% (2006: 20%).

- There is a time lag of two (2) months between the time SARS receives the Skills Development Levies (SDL) paid by member companies in the sector and when the cash and financial data is received by the SETA. At the time of preparation of this report the income and data for December 2006 to March 2007 has not been received by the LGSETA. Accordingly an accrual has been raised based on an average of the actual income received for the eight (8) months. The projected total gross levies (100%) contributed by member companies in the sector for Skills Development Levies for the 2006/2007-Financial Year is R208, 4M (2006: R190,4M).

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FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/…

Skills Development Levy Income and Operational Expenditure

- The SETA operational expenses must be monitored to ensure that expenditure are within the prescribed limit of 10% and to prevent wasteful and fruitless expenditure. SETA's have been deregistered as VAT Vendors with effect from 1 April 2005. At the time of preparing this report the total SDL income received for the nine (8) months is R14,5M and operational expenditure incurred to date (16 March 2007) amounts to R16,6M.

Skills Development Levy Income and Disbursements - Mandatory Grants

- During the 2006/2007-Financial Year the actual Mandatory Grant Income (50%) for the nine (8) months in the current financial year is R72, 8M. At the time of preparation of this report, Mandatory Grants disbursed in the current financial year amounts to R47,5M. These grants have been distributed quarterly and have been transferred directly into employers' bank accounts.

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FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/…

- It is pointed out that Metropolitan Municipalities contribute approximately 61, 8% of the total income.
- To date the LGSETA disbursed 65,3% of Mandatory Grant Income – This percentage would increase once the SSP Department has evaluated and processed all the Mandatory Grant Applications through the Grant Disbursement approval system.
- The transfer of employers to the Energy SETA has been finalised and all levy income received for the 2005/2006 financial year has been transferred.
- Total skills development levy income (80%) paid by employers in the sector for levy year 2007 and actual Mandatory Grant disbursements by demarcation province is illustrated in the charts below.

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FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/...

Skills Development Levy Income (80%)

Due to the time lag between period of SDL paid by Employers and Transfer from SARS (DoL) to the LGSETA the Income is based on 8 Months Actual (April 06 – Nov 06)
Data transfer for December 06 was received in March 07 but could not be imported in time to prepare this report. Including a provision for 4 months (December to March) the total projected SDL Income for the 2006/07 financial year is R166,729,399

	Administration	Discretionary Grants	Mandatory Grants	Interest & Penalties	Total	SDL Contributions by Province %
	10%	20%	50%		80%	
Eastern Cape	1,397,267	2,805,983	6,985,600	60,285	11,249,135	9.6%
Free State	1,150,915	2,284,494	5,757,831	48,372	9,241,611	7.9%
Gauteng	4,581,624	8,867,874	23,202,729	271,671	36,923,898	31.6%
KwaZulu Natal	2,820,885	5,590,569	14,146,251	329,300	22,887,005	19.6%
Limpopo	501,105	993,974	2,481,881	14,576	3,991,536	3.4%
Mpumalanga	668,965	1,324,728	3,393,037	13,270	5,400,000	4.6%
Northern Cape	324,640	672,379	1,603,481	34,085	2,634,584	2.3%
North-West	639,739	1,264,019	3,216,956	32,021	5,152,735	4.4%
Western Cape	2,404,336	4,819,872	12,017,309	7,380	19,248,896	16.5%
	14,489,475	28,623,893	72,805,073	810,959	116,729,399	100%

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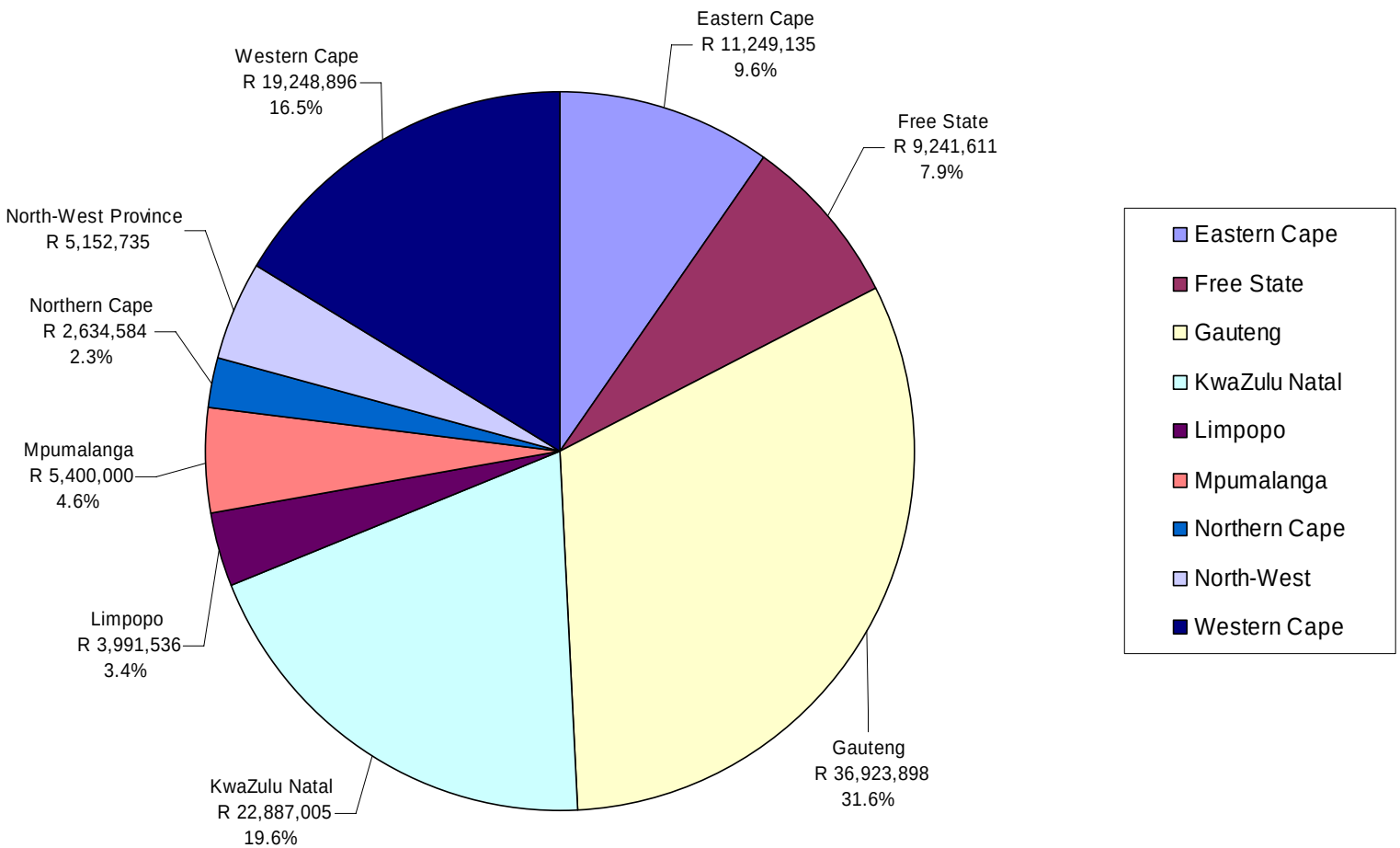
FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/...

80% Levy Income by Province Financial Year 2006 - 2007 for the period 1 April 2006 to 16 March 2007



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FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/...

Total Projected SDL Income versus Budget for the 2006/07 financial year

	Admin Net 10%	Mandatory 50%	Discretionary 20%	Interest & Penalties	Total 80%
Total SDL Income April 06 to November 06	14,489,475	72,805,073	28,623,893	810,959	116,729,399
Projected Income (December 06 - March 07)	6,250,000	31,250,000	12,500,000	-	50,000,000
	20,739,475	104,055,073	41,123,893	810,959	166,729,399
Projected - 2006/07 Budget submitted to Executive Authority	20,389,594	104,930,366	37,804,293		163,124,254
	98.3%	100.8%	91.9%	0.0%	97.8%

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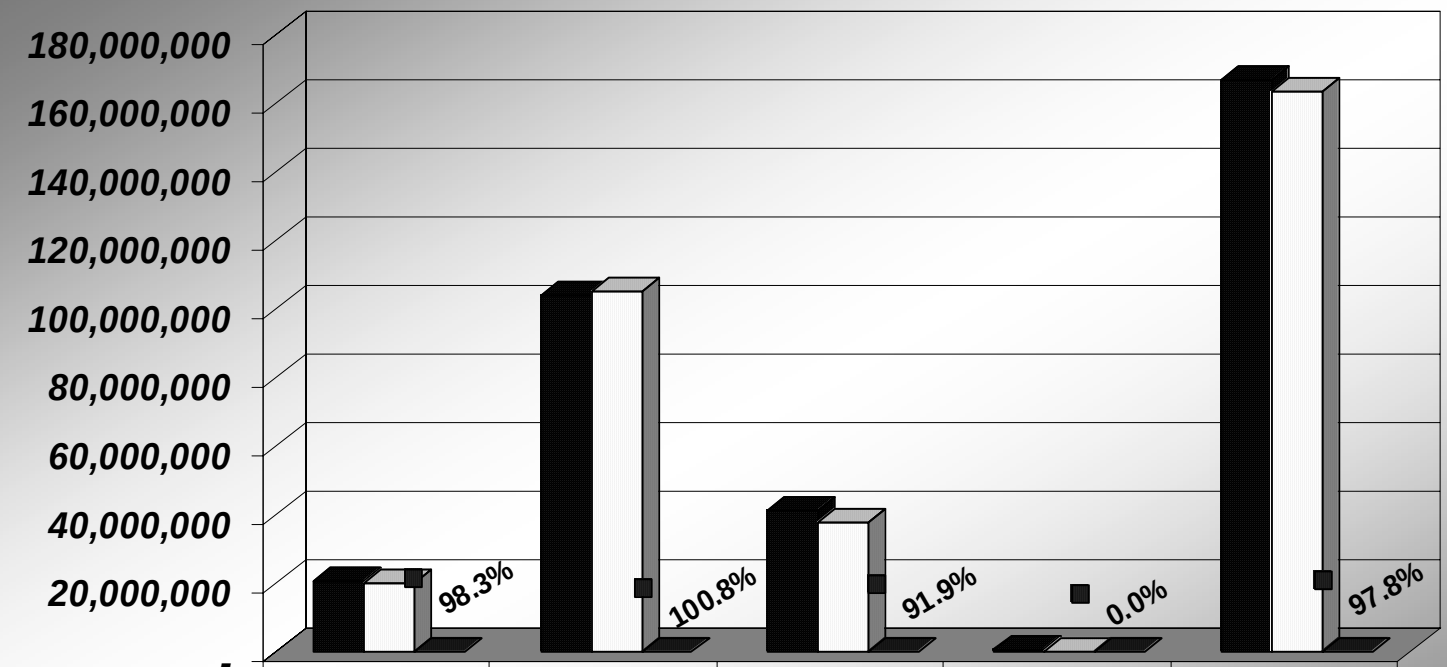
FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/...

SDL Income (Including 4 months provision)
Versus
Projected SDL income (2006/07 Budget submitted to Executive Authority

Actual (Including 4 months provision)
Projected – 2006/07 Budget submitted to Executive Authority
Budget versus Actual (Including 4 months provision for arrear levy income)



	Admin Net	Mandatory	Discretionary	Interest & Penalties	Total 80%
■ Actual Income	20,739,475	104,055,073	41,123,893	810,959	166,729,399
□ Projected	20,389,594	104,930,366	37,804,293	-	163,124,254
■ Budget versus Actual	98.3%	100.8%	91.9%	0.0%	97.8%

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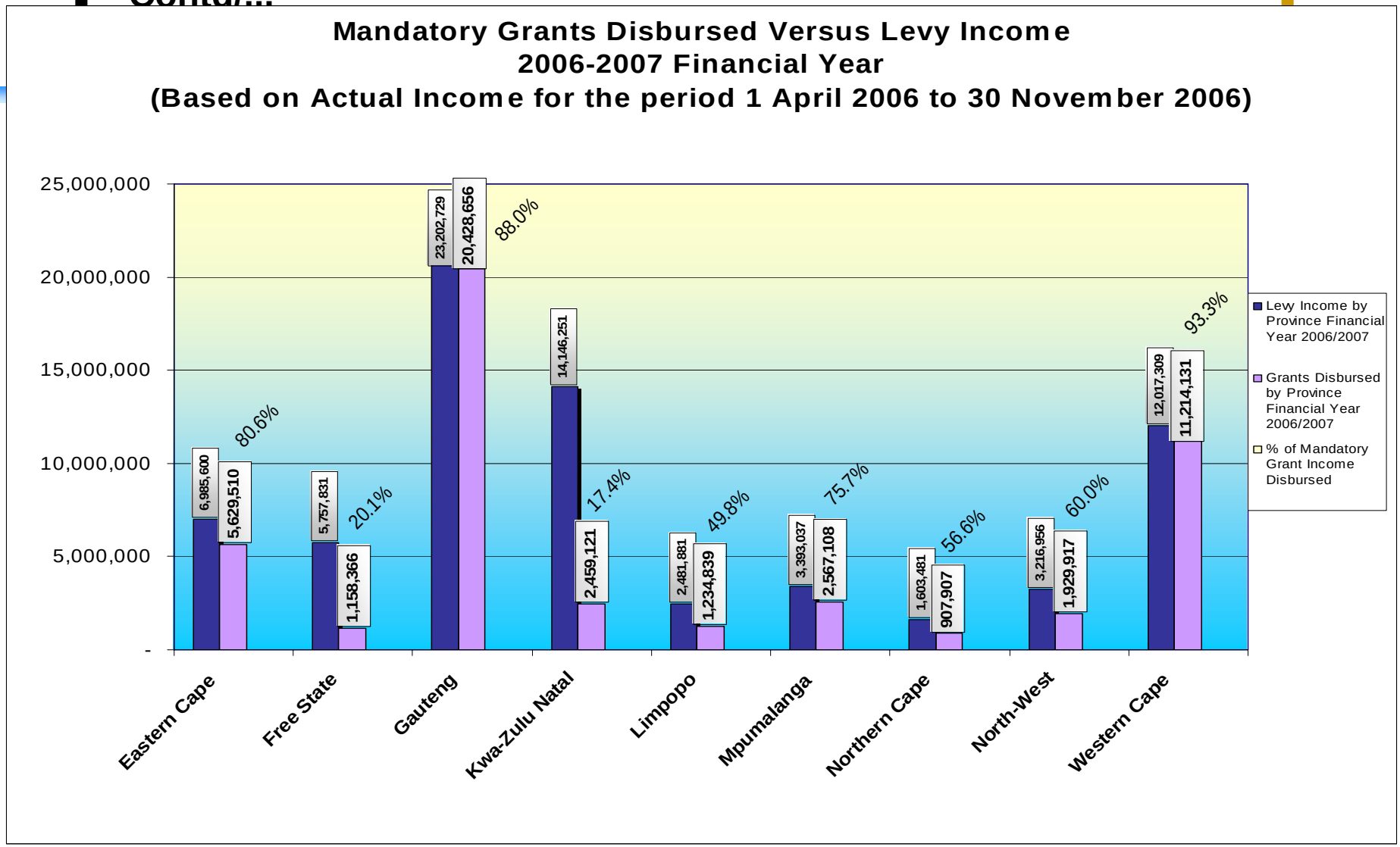
FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/...



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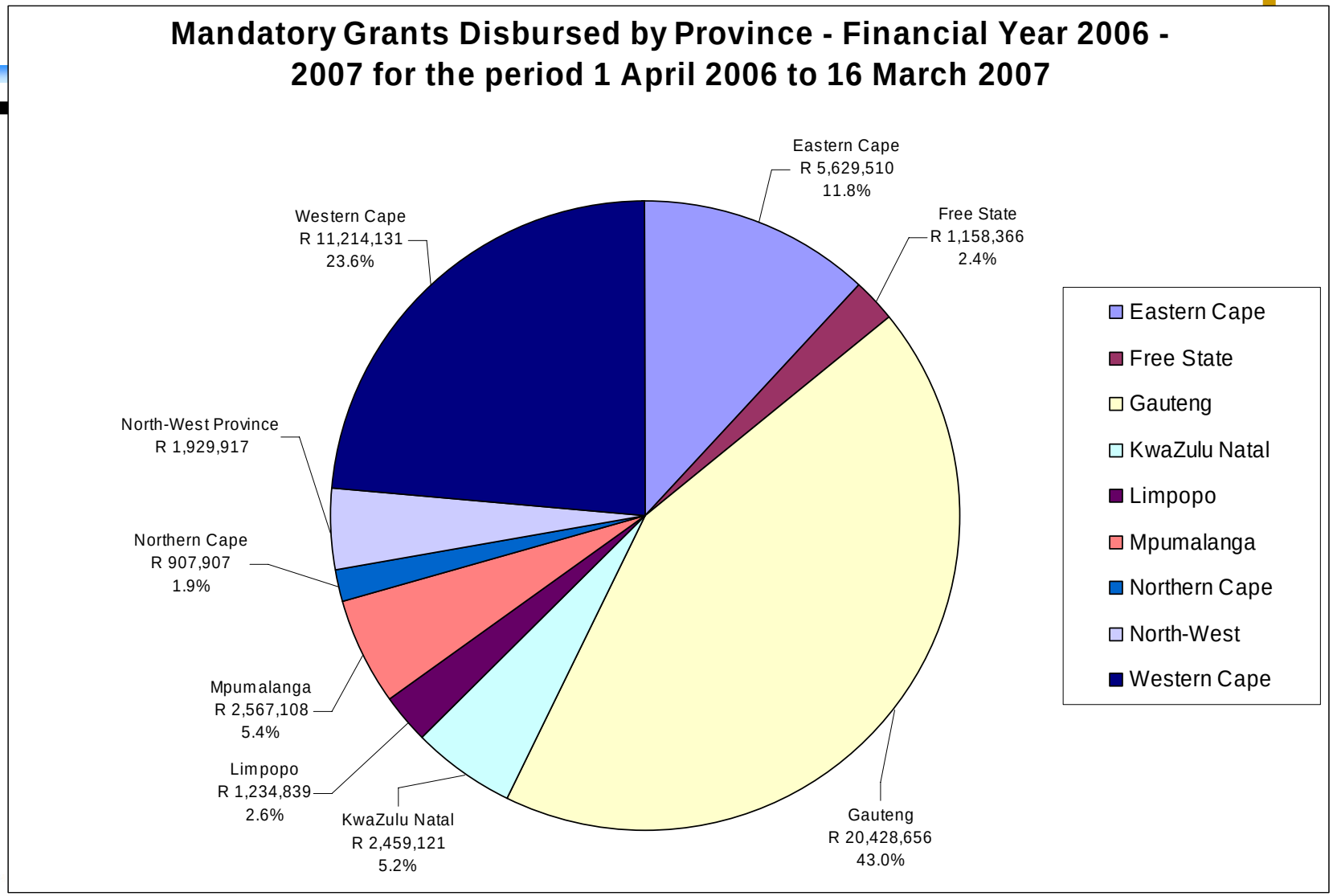
FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/...



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FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/...

- The Discretionary Fund comprise of 20% (2006: 20%) Discretionary Grant income from the Skills Development Levy, interest and penalties paid by employers in the sector, unspent income for administration from previous years, unclaimed Levy Grant funds which have been transferred to the Discretionary Fund and interest accrued.
- The Executive Committee have approved funding to be utilized during the 2005 - 2010-Financial Years from the Discretionary Fund for Discretionary Grants and Special Projects with the aim of strengthening training activities in the sector through support to Learnerships, Skills Programmes and apprenticeships, to address the priorities identified in the LGSETA Sector Skills Plan and to meet NSDS targets in accordance with the MOU with the Department of Labour.
- At the time of preparing this report an amount of R21;2M has been disbursed by the LGSETA during the current financial year. The projects whch have not been completed during the 2006/2007-Financial Year will continue in the 2007/2008-Financial Year.
- The chart below indicates disbursements against NSDS Objectives and Indicators identified in the LGSETA Sector Skills Plan and to meet NSDS targets

Conclusion

- The LGSETA has gone a mile in ensuring that objectives of the skills development strategy is being embraced in the sector and the level of compliance to both the Skills Development Act and Skills Development Levies Act has increased.

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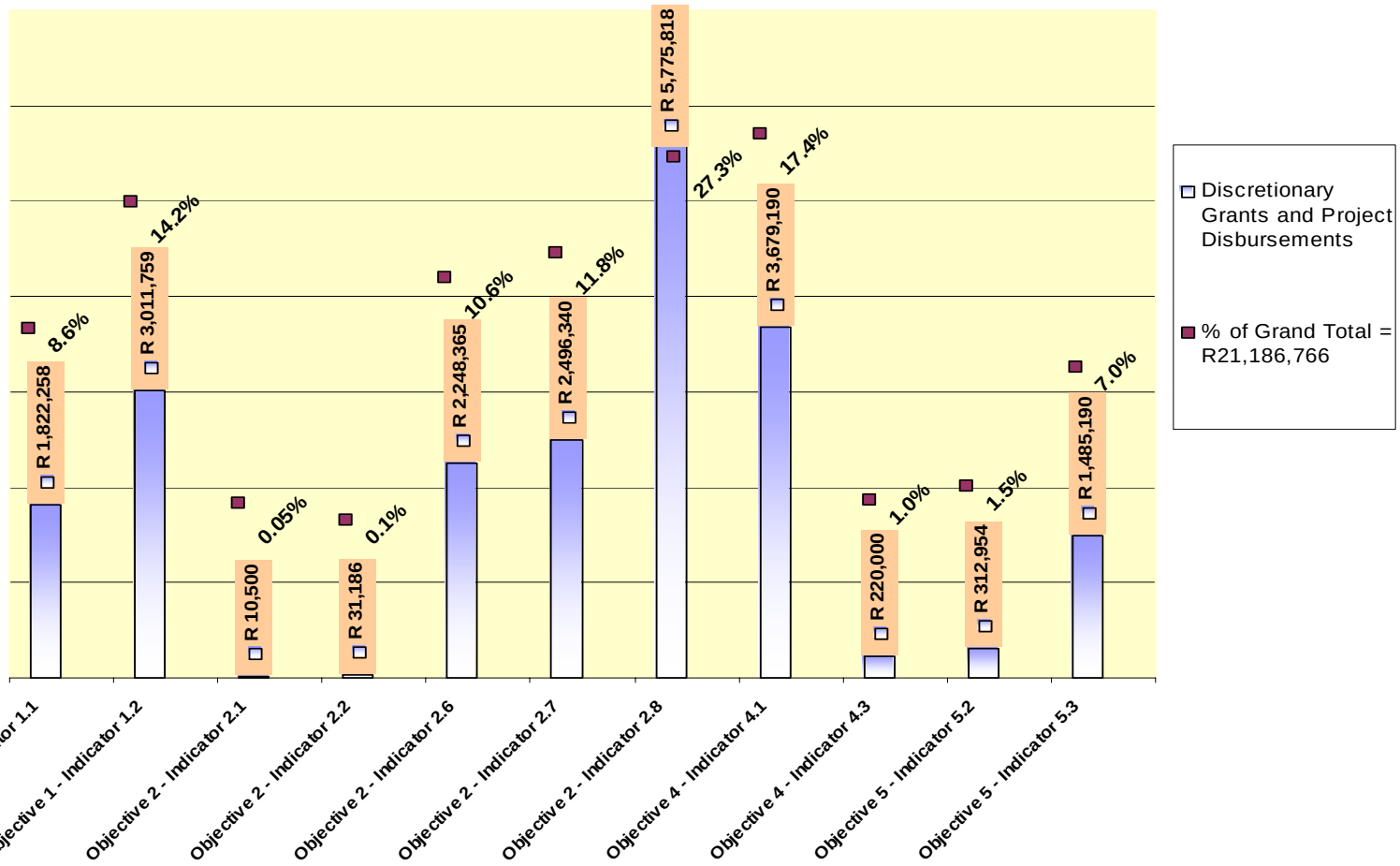
FINANCE - SDL INCOME AND GRANT DISBURSEMENTS Contd/...

Discretionary Grant and Project Disbursements from 1 April 2006 to 16 March 2007



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