



# CONSIDERATION OF UNDERSPENDING BY SAPS

Presentation to the  
Portfolio Committee on  
Police

16 February 2022

# PRESENTATION OUTLINE

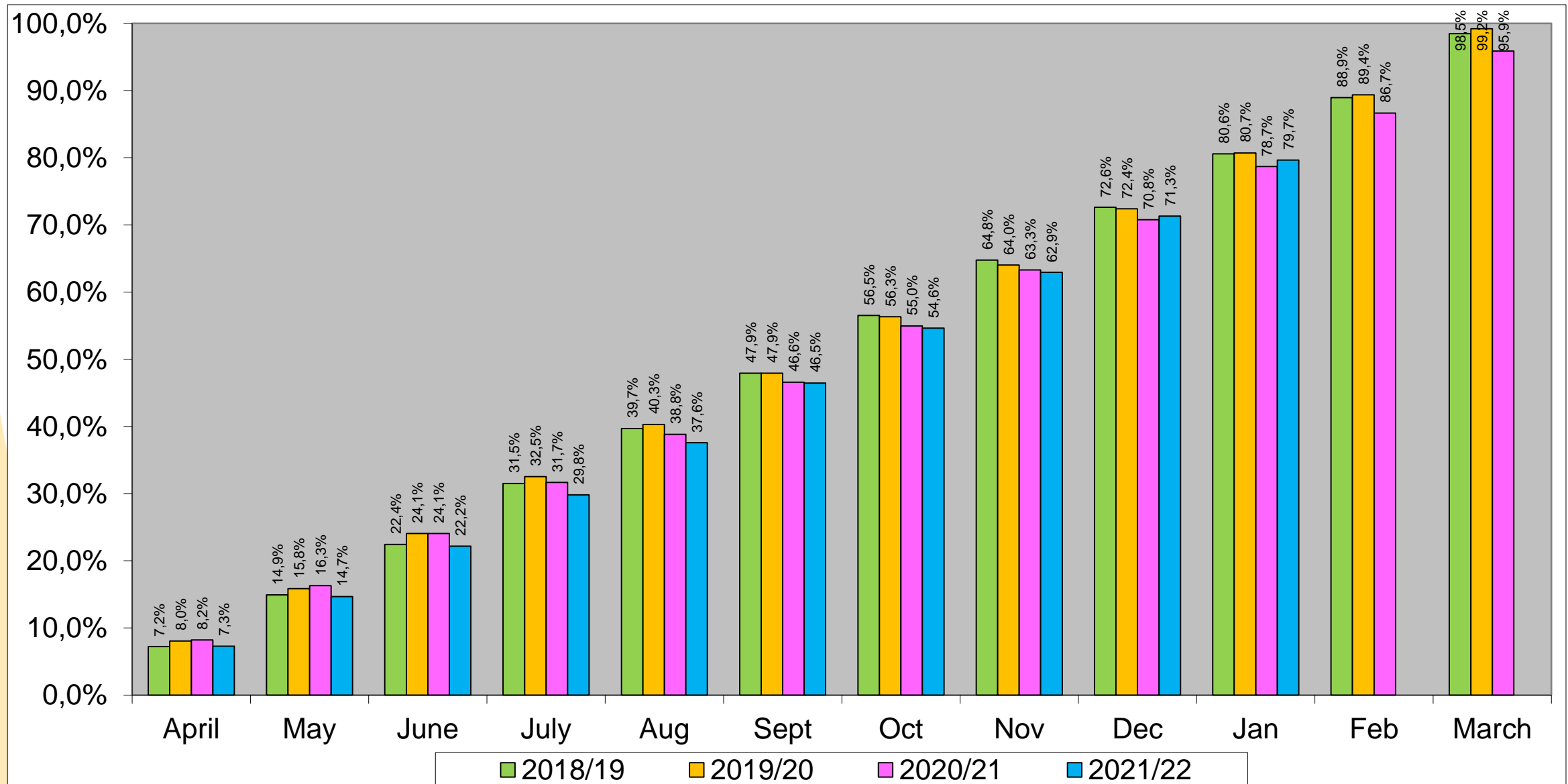
## □ 2021/22 financial year

- Expenditure analysis
- Total Budget vs Actual Expenditure – Programmes
- Overview of spending performance – Programme level
- Total Budget vs Actual Expenditure – Items
- Overview of spending performance – Economic level
- Reasons for low/under-spending
- Mitigating actions to improve spending performance

# EXPENDITURE ANALYSIS

- Past expenditure for multiple years are utilised to perform an expenditure analysis and to project anticipated baseline expenditure in a financial year.
- Although indicative of nature, the expenditures of each quarter in a financial year, will not be precisely equal caused by reasons such as delivery of vehicles / other equipment, invoices from DPW, payment of salary increases and pay progression, etc. that each has its own unequal spending pattern.

# EXPENDITURE ANALYSIS – COMPARISON OF MONTHLY SPENDING WITH PREVIOUS FINANCIAL YEARS (CUMULATIVE)



# TOTAL BUDGET VIS ACTUAL EXPENDITURE – PROGRAMMES (2021/22)

Programme classification	Adjusted Estimates 2021/22 R'000	Expenditure 31 January 2022 R'000	% Spending
Programme 1: Administration	20 258 973	15 115 978	74,6%
Programme 2: Visible Policing	52 224 222	42 726 669	81,8%
Programme 3 : Detective Services	20 232 517	15 877 285	78,5%
Programme 4: Crime Intelligence	4 296 649	3 513 029	81,8%
Programme 5: Protection & Security Services	3 461 472	2 813 637	81,3%
<b>TOTAL</b>	<b>100 473 833</b>	<b>80 046 598</b>	<b>79,7%</b>

# TOTAL BUDGET VIS ACTUAL EXPENDITURE

- **Programme 1: Administration**

- ☐ Goods and services expenditure are lower than anticipated (TMS service level agreements and projects) and capital works building projects. Other capital procurements still to realise as well.

- **Programme 2: Visible Policing**

- ☐ Capital procurements, mostly vehicles, still to be delivered and paid. Expenditure of "unrest" project was incurred under this Programme.

- **Programme 3: Detective Services**

- ☐ Integrated Criminal Justice Strategy spending was very low. Some other goods and services expenditure are also lower than anticipated. Vehicles still to be delivered and paid.

- **Programme 4: Crime Intelligence and Programme 5: Protection and Security Services**

- ☐ Fairly on track with spending by both programmes as compensation expenditure is a major cost driver. Vehicles still to be delivered and paid.

# TOTAL BUDGET VIS ACTUAL EXPENDITURE

Item Classification	Adjusted Estimates R'000	Expenditure 31 Jan 2022 R'000	% Spend
Current Expenditure	94 978 106	77 384 052	81,5%
Compensation of Employees	78 668 276	65 112 520	82,8%
Goods and Services	16 309 830	12 271 532	75,2%
Transfers & Subsidies	1 901 319	1 319 519	69,4%
Provincial & Local	55 645	45 463	81,7%
Departmental Agencies	49 872	39 654	79,5%
Non profit institutions	1 000	-	0,0%
Households	1 794 802	1 234 402	68,8%
Payment of Capital Assets	3 594 408	1 300 372	36,2%
Buildings (SCM) & Other Network Fixed Structures (TMS)	696 670 293 107	198 135 8 563	28,4% 2,9%
Machinery and Equipment	2 589 842	1 076 437	41,6%
Software and Other Intangible Assets	7 479	17 237	230,5%
Biological Assets (Procurement of dogs)	7 310	-	0,0%
Fin transactions in assets and liabilities	-	42 655	-
<b>TOTAL</b>	<b>100 473 833</b>	<b>80 046 598</b>	<b>79,7%</b>

# OVERVIEW OF SPENDING PERFORMANCE – ECONOMIC LEVEL (SLIDE 1)

- **Compensation of Employees** actual spending for period comprises 82,8% of allocated budget and is marginally lower than anticipated.
  - ❖ Various HR priorities still to be processed at different intervals.
- Spending on **Goods and Services** comprises 75,2% of allocated budget:
  - ❖ Integrated Criminal Justice Strategy spending was very low;
  - ❖ Realisation of various earmarked funding should still gather momentum, i.e TMS service level agreements and TMS projects as well as provincial additions.



# OVERVIEW OF SPENDING PERFORMANCE – ECONOMIC LEVEL (SLIDE 2)

- **Transfers and subsidies** spending is on 69,4%
  - ❖ Vehicle license renewal payments are slightly lower than estimated, but some renewal periods are closer to the end of a financial year, resulting from delivery schedules of previous years.
  - ❖ SASSETA payments are on track
  - ❖ Increased expenditure on exit payments (Last group of employees that retired on 31 March 2021 in terms of the early retirement without penalization initiative.)
  - ❖ Payment to Polmed regarding COVID-19 and injury on duty - still to be resolved
- Payments for **Capital Assets** comprises 36,2 % of allocated budget:
  - ❖ Buildings and Infrastructure spending was very low at 20,9% (Public Works invoices are lower than anticipated and network infrastructure deliveries & payments still to realise.)
  - ❖ Machinery & equipment (currently at 41,6%) historical spending tendencies reflect increased spending during the latter part of a financial year as delivery of vehicles (major portion) takes place. (This is a historical trend, but shortages of materials and parts used in the production process of vehicles are risks that may result in underspending at the end of the financial year.)

# REASONS FOR LOW/UNDER-SPENDING (SLIDE 1)

- Vehicles
  - ❖ A shortage of vehicles was encountered at Original Equipment Manufacturers (OEM) participating on the RT57 contract. Slow delivery by manufacturers who are sighting shortage of materials (semi-conductors) and parts as part of the reason for a delay in the manufacturing process. Some manufacturers have partially cancelled vehicle orders anticipated to be delivered in the 2021/22 financial year (Ford, Toyota, VW)
  - ❖ Vehicle orders that were cancelled by the manufacturers were successfully replaced by orders placed with other manufacturers. (Confirmation of delivery before 31 March 2022 was received.)  
Division: SCM is currently finalising the final orders in order to ensure that the total budget for new vehicles are utilised before the end of the 2021/22 financial year.
- Buildings and infrastructure (SCM) - DPW projects
  - ❖ Delayed appointment of consultants for projects affected finalization of the appointment of town planning service panels of consultants. Dependency on municipalities, Dept. of Rural Development and Dept. of Land Affairs for the acquisition of land, rezoning and council resolutions are part of the reasons for underspending. Illegal encroachment on the sites identified, delayed the finalization of projects.
  - ❖ Delayed sketch plan approvals as a result of committee not meeting. Delayed plan approvals from statutory bodies. Internal procurement processes impacted on by delayed approvals and sign-offs.

# REASONS FOR LOW/UNDER-SPENDING (SLIDE 2)

- Buildings and infrastructure (SCM) - DPW projects - Continues
  - ❖ Community disruptions as a result of communities demanding 30% subcontracting. Technical delays from redesigns due to previously unknown site conditions. Changes in specification as a result of client requests. Contractors cash-flow. Under performance of contractors.
  - ❖ Regular meetings between SAPS and DPW for intervention considerations and progress on projects.
- Buildings and infrastructure (SCM) - Under performance on SAPS projects
  - ❖ Local authorities working on rotation causing a backlog on planning applications. This created delays on council resolutions for rezoning.
  - ❖ Legal implications on the previous terms of reference resulted in a need to review the terms of reference prior to appointment of consultants.
  - ❖ Withdrawal of Electrical and Mechanical Engineers from the team of consultants which necessitated the sourcing of new service providers while the projects were stagnated.
  - ❖ Procurement of services regarding Civil/ Structural Engineers for planning and design took 8 months and most bids were unresponsive or exorbitant thus requiring continuous requesting of quotations.
  - ❖ Expenditure for the three (3) APP projects anticipated to realise for completion in March 2022.

# REASONS FOR LOW/UNDER-SPENDING (SLIDE 3)

- Other network fixed infrastructure (TMS)
  - ❖ Roll-over budget approved by National Treasury has limited spending at 31 January 2022 with some expenditure anticipated to be spent by 15 March 2022. Substantial remaining amount is at risk of not being spent as SAPS is dependent on SITA to finalize the appointment of the equipment procurement tender for outstanding equipment or appointment of a services tender to implement the sites.
- ICJS and baseline funds (TMS)
  - ❖ SLA commitments of which less than 50% was spent on 31 January 2022, but is anticipated to be spent in full as outstanding invoices were received in December 2021 plus end of January and February invoices should also still be received and paid.
  - ❖ It is projected that some ICJS allocated funding in the TMS environment is at risk of not being spent in 2021/22. Procurement processes should still be concluded by SITA for Numerus infrastructure upgrade, procurement of equipment and appointment of services contract for NNUP.

# MITIGATING ACTIONS TO IMPROVE SPENDING PERFORMANCE (SLIDE 1)

- Replacement vehicle orders were placed with other manufacturers after orders were cancelled by some manufacturers that experienced a delay in the manufacturing process, that resulted in available vehicles shortages.
- Alternative initiatives and procurements embarked upon in the technology environment.
- Regular monitoring, evaluation and timeous interventions to ensure realisation of services within an acceptable timeframe.
- Continuous engagement and escalation of challenges, brought about by third party dependencies, to relevant authorities.
- Internal control measures put in place to ensure that spending on building projects is accelerated and to reduce underspending:
  - Invoices for work completed, are regularly followed-up to ensure payments are made.
  - Payment certificates will be received before end of March 2022 for targeted Capital Works projects on the construction of police stations.

# MITIGATING ACTIONS TO IMPROVE SPENDING PERFORMANCE (SLIDE 2)

- Internal control measures put in place: (Continue....)
  - The installation of generators awarded during October 2021 will also proceed to ensure that all the generators are installed before 15 March 2022 to secure the processing of payments within the current financial year (except Eastern Cape contractor that terminated his contract before executing the project).
  - Additional measures have been initiated to ensure that the allocation for the new financial year is spent in accordance with the allocation as additional personnel have been recruited to improve on the capacity.
  - The Project Based Budget information has already been submitted to National Treasury and the engagements relating to the Project Monitoring System to be implemented, is in progress.
  - The Project Monitoring Committee between SAPS and NDPWI will also be activated to continuously evaluate and monitor the progress on projects.
  - A contingency plan has been put in place to redirect savings, emanating from projects experiencing problems, to finance other unfunded-priorities. (e.g. placement of park homes for additional office accommodation or satellite police stations to promote access to policing services).



THANK YOU