

PRESENTATION TO PC:HOME AFFAIRS ON THE DEPARTMENT'S COE FUNDING PRESSURES

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Summary table of the compensation budget

Description R Thousand	2016/17	2017/18	2018/19
Baseline COE	3 098 274	3 300 192	3 491 603
Cost of living adjustment	91 398	231 862	280 412
Sub-total	3 189 672	3 532 054	3 772 015
Baseline transfer to DIRCO	98 580	103 509	109 513
Reductions in compensation	0	253 967	396 942
Sub-total	3 091 092	3 174 578	3 265 560
Channel Management Contact Centre (Virement)	32 350	34 615	37 038
IT Help Desk (Virement)	23 383	24 552	25 780
COE Ceiling (2016 ENE)	3 146 825	3 233 745	3 328 378
Filled posts as at 31 January 2016	3 121 919	3 375 068	3 648 360
Unspent (Shortfall)	24 906	-141 323	-319 982
173 critical vacant positions planned to be filled	110 993	117 643	124 758

N.B: Department reviewed projected overtime, performance bonuses and other personnel related expenditures in order to fit within the ceilings in 2017/18 and 2018/19.

Introduction

Sound financial management /
unqualified audit

Security Department

Contribution to Economic growth

Maintain efficiency in Department

Fiscal consolidation

To maintain expenditure ceilings

Funding of priorities

Reduction of compensation of
employee cost

Background

- During the 2016 MTEF budget process the National Treasury set expenditure ceilings on compensation of employees and for the department the following amounts were set; R3.146 billion in 2016/17, R3.233 billion in 2017/18 and R3.328 billion in 2018/19.
- Department were required to manage their establishment within the allocations provided and the compensation of employees expenditure may not exceed these amounts.
- The compensation of employees' budget was reduced by R253.9 million in 2017/18 and R396.9 million in 2018/19. As a result of these reductions the department had to put on hold the filling of 687 vacant positions.
- The above-mentioned reductions were calculated using the 2015/16 preliminary expenditure outcome as at 30 September 2015 and also projected as at 31st March 2016.

Background continues

- The shortfall in the ceilings were mainly funded by vacant positions already budgeted for and also when existing positions became vacant they were also not filled until the department achieved the ceilings thresholds.
- The department is now feeling the effects of not filling the vacant positions as the situation is negatively impact on the department's ability to deliver services effectively and efficiently. The shortage of immigration officers at OR Tambo International Airport is just a case in point. In order to address the capacity at OR Tambo International Airport, National Treasury allocated additional funding of R17 million in year in 2018/19 and 2019/20.
- In order to sufficiently deal with capacity at the department, additional funding will be required as other measures such as retirements and non-core vacancies which a redirected are not yielding the required results because the numbers are significantly low to make any impact.

Engagements between National Treasury and Department

- In a letter date 12 May 2016, the department informed National Treasury that the 2016 MTEF compensation ceilings will not be adequate to cater the existing personnel establishment.
- There was a shortfall of ; R141.323 million in 2017/18 and R319.982 million in 2018/19. Department reviewed the projected overtime, performance bonus and other personnel related expenditures in order to fit in the ceilings in 2017/18 and 2018/19.
- In order to remain within the ceiling, National Treasury advised the department not to fill positions as they become vacant from 2016/17, because doing would increase the shortfall in the outer.
- The move resulted in the department being unable to fill critical positions and as a result the action impacted negatively on service delivery; a case in point is capacity at OR Tambo International Airport. As a result additional funding has being allocated: R17 million in each year in 2017/18 and 2018/19.

Recommendations and way forward

- National Treasury will continue to engage the department on alternative means to address the funding pressure with respect to the compensation budget.
- Consider allocating additional funds in future budget process when fiscal space allow. Currently the fiscal space is constrained.

Thank you