

Presentation to the Portfolio Committee on Public Service and Administration on current and future budget interventions to address Statistics South Africa's historic budget shortfall

CD Administrative Service; Public Finance
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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



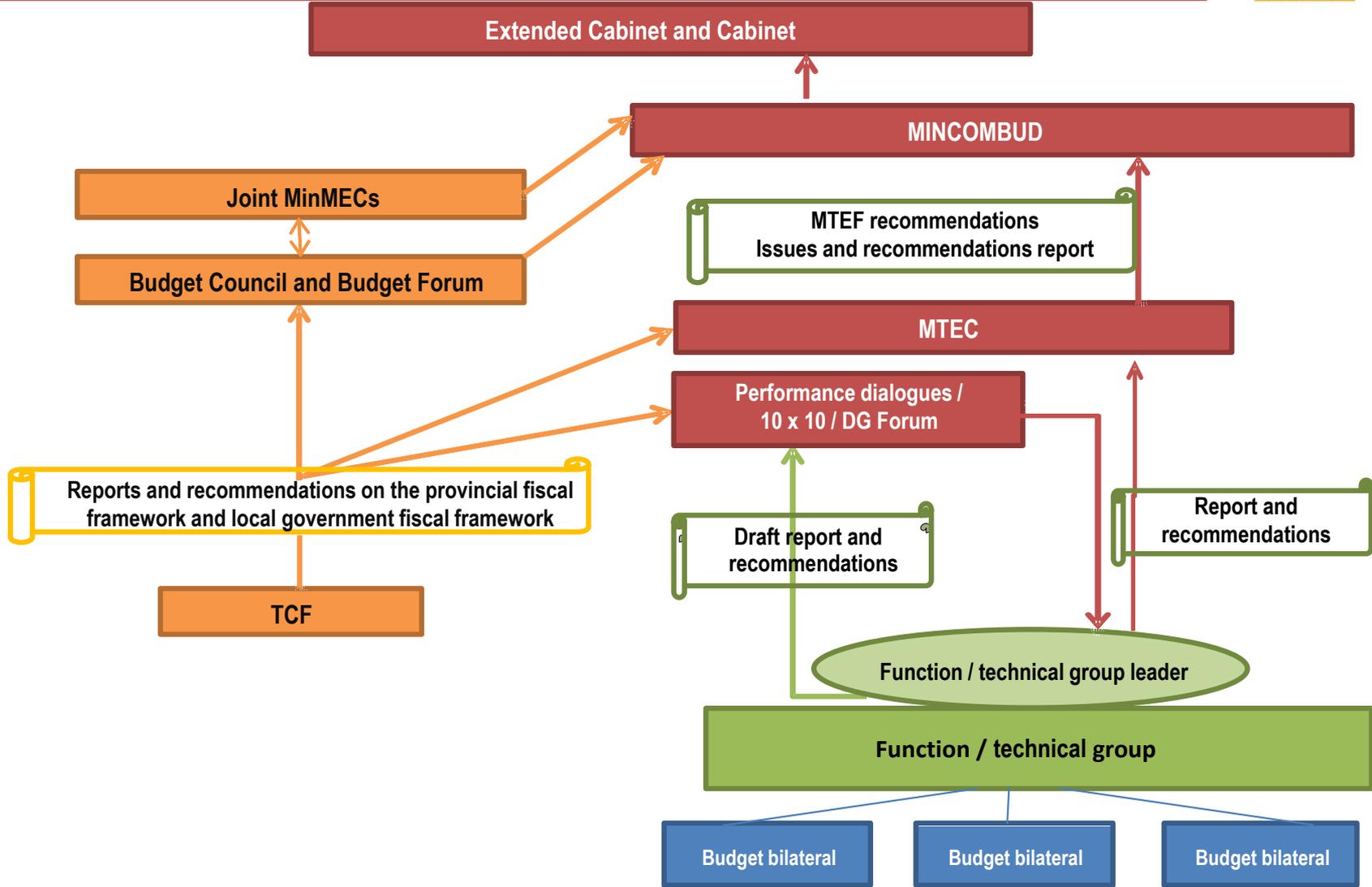
OUTLINE

- Role of Parliament in the budget process
- Background
- Funding model review recommendations
- Spending review recommendations

ROLE OF PARLIAMENT IN THE BUDGET PROCESS

- **Legislatures**
 - National Assembly and the National Council of Provinces
 - Appropriations Committees; Finance Committees; Portfolio Committees
 - Provincial Legislatures
- **Executive - Political**
 - Extended Cabinet
 - Cabinet
 - Minister's Committee on the Budget (MINCOMBUD)
- **Executive – Technical**
 - Minister's Committee on the Budget Technical Committee
 - National Treasury
 - Departments and public entities
- **Required by the Constitution and Intergovernmental Fiscal Relations Act:**
 - Financial and Fiscal Commission (FFC)
 - Provincial governments - the Budget Council
 - Organised local government - the Budget Forum
 - Various intergovernmental forums exist at both the political and technical levels to give effect to the constitutional imperative for cooperative governance

ROLE OF PARLIAMENT IN THE BUDGET PROCESS



ROLE OF PARLIAMENT IN THE BUDGET PROCESS

- The Money Bills Amendment Procedure and Related Matters Amendment Act, 2018 requires that after the tabling of a national budget:
 - Section 8(3) – Committees on finance must within 16 days or as soon as reasonably possible thereafter, submit a report to the National Assembly and the National Council of Provinces on the fiscal framework and revenue proposals
 - Section 9(3) – The Division of Revenue Bill (DORA) must be passed within 35 days after the adoption of the fiscal framework by Parliament, or as soon as reasonably possible thereafter
 - Section 10(7) – Parliament must pass the Appropriation Bill with or without amendments, within four months after the start of the financial year, namely 31 July 2020
- The Budget is dealt with by the **Standing Committees on Finance and Appropriations** comprising members of both houses
- Individual **Portfolio Committees** dissect the budget and strategic plan for each national department
- **Public Accounts Committee** deals with post-facto issues raised by Auditor General

BACKGROUND

- Stats SA is a client department within the Administrative Services cluster in the National Treasury's Public Finance Division.
- The budget of the department is driven mainly by compensation of employees and goods and services spending, which for the current MTEF period (2020) account for 89.8 per cent of the department's total budget.

2020 MTEF Allocation	2021/22	2022/23	2023/24
Administration	659 796	706 860	723 773
Economic Statistics	266 393	269 978	270 169
Population and Social Statistics	148 527	200 064	203 392
Methodology and Statistical Infrastructure	153 438	156 370	156 500
Statistical Support and Informatics	272 832	286 501	287 710
Statistical Operations and Provincial Coordination	2 932 363	846 710	849 281
South African National Statistics System	41 241	42 672	42 718
Total	4 474 590	2 509 155	2 533 543
<i>Of which</i>			
Current payments	4 154 918	2 192 058	2 202 471
Compensation of employees	1 480 831	1 482 610	1 490 331
Goods and Services	2 674 087	709 448	712 140
Transfers and Subsidies	4 616	467	488
Payments for Capital Assets	315 056	316 630	330 584
Payments for Financial Assets	-	-	-
Total	4 474 590	2 509 155	2 533 543

BACKGROUND

- In response to fiscal pressures, government had to consider reducing the pace of increase in the baselines of departments. Initially, the targeted areas were (amongst others):
 - Goods and services through cost containment measures
 - Underspending programmes
 - Programmes with allocations rising faster than inflation
- In order to ensure a shift in the composition of spending from current spending to capital spending, compensation of employees ceilings were introduced in the 2017 MTEF. This was also done to manage the public service wage bill
- The department's response to budget reductions:
 - The department placed a moratorium on the filling of posts as they became vacant from October 2016 as a mitigation strategy to fit its personnel costs within the set compensation of employees' ceiling
 - Despite the moratorium, Stats SA incurred unauthorized expenditure of R57.3 million in 2017/18, R57.1 million in 2018/19 and R50.9 million in 2019/20 as a direct result of the department's overspending on compensation of employees

BACKGROUND

Budget Adjustments in Stats SA - 2016 MTEF to 2021 MTEF

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
2016 MTEF								
COLA adjustments		9 075	9 529	10 082				
Budget reductions mainly COE	-	18 877	- 119 270	- 179 044				
Net budget adjustments	-	9 802	- 109 741	- 168 962				
2017 MTEF								
Continuous Population Survey				70 000				
Budget reductions		- 21 967	- 21 654	- 23 995				
Net budget adjustments		- 21 967	48 346	- 23 995				
2018 MTEF								
Budget increases: Census				37 119	145 298	854 992		
Budget reductions: Administration			-	14 189	- 15 055	- 15 883		
Net budget adjustments				22 930	130 243	839 109		
2019 MTEF								
Baseline increases (Mainly Census and CPS)				103 503	32 113	1 438 699		
Budget reductions: Goods and Services			-	28 503	- 32 113	- 32 899		
Net budget adjustments				75 000	-	1 405 800		
2020 MTEF								
Baseline increases (Mainly COE and IES)						195 000	49 437	60 000
Budget reductions: mainly non-core items						- 46 958	- 118 382	- 21 503
Net budget adjustments						148 042	- 68 945	38 497
2020 MTEF								
Baseline increases (Mainly COE and IES)								
Budget reductions: COE and goods and services						- 369 289	- 353 419	- 273 942
Net budget adjustments						- 369 289	- 353 419	- 273 942

BACKGROUND

- The National Treasury and Stats SA have been engaging over the years in an effort to find an appropriate solution for the budget challenges within the department. The following have been additional allocations to StatsSA over time:
 - 2019 MTEF: R105.8 million for the Continuous Population Survey, which was to be carried out in 2021/22.
 - 2020 MTEF: R154.4 million to deal with compensation pressures and fill some of its critical positions.
 - R150 million in 2020/21, R60 million in 2021/22 and R109 million in 2022/23 have been allocated to the department to run its poverty surveys
 - R855 million in 2020/21 and R2.2 billion in 2021/22 have been allocated to activities relating to the Census 2021.
- Due to the COVID-19 pandemic, some of the surveys that the department had scheduled for 2020/21 (the pilot for Census 2021, and the Income and Expenditure Survey) have had to be postponed to future dates.
- Although the department indicates to still have critical positions that it needs to fill, it has been able to advertise senior positions in 2020/21.
- The budget challenges in the department also necessitated the National Treasury to conduct a spending review of the department's compensation of employees spending

FUNDING MODEL REVIEW RECOMMENDATIONS

- Statistics SA in total conducts 58 surveys, of which 18 are conducted monthly, 7 quarterly, 19 annually and 9 periodically. The baseline is fully utilized for these surveys.
- The types of surveys that the department conducts include business surveys, compilation, administration records and household surveys.
- Of the 58 surveys, the department is only able to accommodate 53 surveys within its existing budget baseline, as follows

Number of surveys	Frequency
18	Monthly
7	Quarterly
19	Annually
9	Periodic 5 – 10 yearly

FUNDING MODEL REVIEW RECOMMENDATIONS

- The remaining 5 surveys that are unfunded include: Living Conditions, Income and Expenditure, General Household, Census and Large Community surveys
- The department intends to integrate some of its household surveys into one: the Continuous Population Survey (CPS) and Income and Expenditure survey
- **The funding model review recommendations:**
 - Do not permanently appoint more fieldworkers, and rather outsource the fieldwork as it is more cost effective.
 - Continue to smooth expenditure on irregular surveys by spreading the fieldwork cost over two consecutive budget
 - Contain the cost for the LCS and IES at the equivalent of R121 million (in 2015 rand value) spread over two financial years or the equivalent of R60 million per year (in R2015 rand value).
 - The poverty surveys can be conducted every three years. With expenditure spread across two financial years, it can be included in the baseline allocation permanently (under Goods and Services) starting with R80 million in 2020/21.

SPENDING REVIEW RECOMMENDATIONS

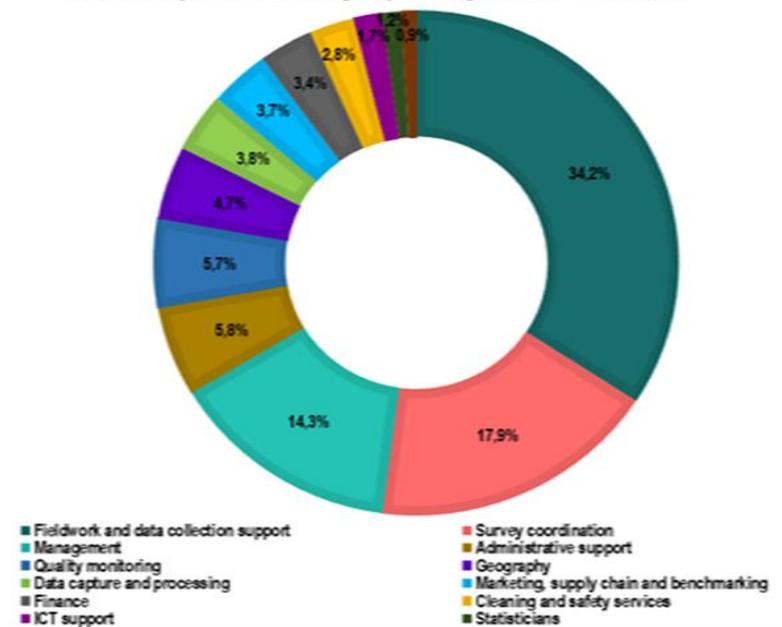
Provincial and district offices

- The review conducted identified the department's provincial and district offices as one of the cost drivers of the department's compensation of employees spending.
- Accordingly, a more detailed spending review of the provincial and district offices was conducted in collaboration with the Government Technical Advisory Centre, in 2020, with the following finding:
 - Personnel expenditure in these offices is the largest spending area, driven by survey officers/fieldworkers, survey coordinators and management
 - Spending per province is driven mainly by population size, i.e. provinces with the lowest population size like the Northern Cape and Free State show lower spending and lower staff complement, while provinces with the largest population size like KwaZulu-Natal and Gauteng show higher spending and a larger staff complement
 - There is, generally, high cost per employee in small provinces, mainly due to high number of posts between levels 12 and 13 in relation to posts in lower levels, as posts on middle management and management level are not driven by the population size
 - The department seems to have the same number of positions in middle management and senior management, regardless of the size of the province. This seems to be the reason for a high cost per employee in smaller provinces up, presenting a slight top-heavy structure in smaller provinces.

SPENDING REVIEW RECOMMENDATIONS

Item	Staff compliment 2016/17 to 2018/19						
	Average staff compliment	2016/17	2017/18	2018/19	Total	% average growth	% average expenditure
Fieldwork and data collection support	504	159 671 558	161 864 110	190 018 823	511 554 491	9,1%	34,2%
Survey coordination	154	88 719 476	87 371 765	90 935 013	267 026 254	1,2%	17,9%
Management	68	67 316 935	72 962 214	74 148 488	214 427 638	5,0%	14,3%
Administrative support	69	29 208 492	28 316 659	28 914 788	86 439 938	-0,5%	5,8%
Quality monitoring	53	29 662 623	26 546 760	28 465 387	84 674 769	-2,0%	5,7%
Geography	60	22 005 046	23 204 248	24 903 588	70 112 881	6,4%	4,7%
Data capture and processing	60	16 464 996	19 097 940	20 842 905	56 405 842	12,5%	3,8%
Marketing, supply chain and benchmarking	30	15 818 539	19 912 727	20 328 065	56 059 330	13,4%	3,7%
Finance	27	15 855 567	16 519 029	17 771 343	50 145 939	5,9%	3,4%
Cleaning and safety services	84	13 605 804	13 626 184	14 053 522	41 285 510	1,6%	2,8%
ICT support	16	8 156 247	8 828 531	8 954 918	25 939 697	4,8%	1,7%
Statisticians	14	5 771 975	5 770 701	5 996 895	17 539 572	1,9%	1,2%
Transport and logistics	13	3 982 711	4 746 887	4 980 434	13 710 031	11,8%	0,9%
Total	1 152	476 239 969	488 767 756	530 314 168	1 495 321 893	5,5%	100,0%

Staff Compliment- Average Spending 2016/17 To 2018/19



SPENDING REVIEW RECOMMENDATIONS

Workload distribution 2015 – 2020 informed by increased sample: GHS AND QLFS

Province	Population size	New Primary sampling units (PSU)	Available survey officers (SO) before new PSU	Number of survey officers (SO) required for new sample	Ideal workload (PSUs per SO)	Survey officer to sampling unit ratio	Minimum households per SO per quarter
Western Cape	6 508 700	348	29	26	13	1:13	130
Eastern Cape	6 497 100	440	27	33	13	1:13	130
Northern Cape	1 213 500	148	15	11	12	1:12	120
Free State	2 889 900	192	20	15	13	1:13	130
KwaZulu-Natal	11 067 500	536	35	41	13	1:13	130
North West	3 854 400	244	21	18	13	1:13	130
Gauteng	14 273 800	872	41	66	13	1:13	130
Mpumalanga	4 442 500	244	21	18	14	1:14	140
Limpopo	5 774 600	300	24	23	14	1:14	140
RSA	56 522 000	3 324	233	251	118		33 240

SPENDING REVIEW RECOMMENDATIONS

Office accommodation

- Spending on office accommodation is the second largest spending area and is mainly driven by the number of offices and the size of staff complement in provinces.
- There are variations in different provinces in terms of the average square metre per employee, with the highest being KwaZulu-Natal at 65.5 square metres per employee, and the second highest being the Western Cape recording an average of 50.1 square metres per employee.
- According to the Government Gazette no 27 985 on space planning norms and standards for office accommodation used by organs of state, the average area per full time equivalent should not exceed 12 square metres.
- The gazette goes further to prescribe the amount of space that employees should occupy at different levels of the hierarchy, as well as the organisational support space prescribed at 55 per cent to 65 per cent of the total workspace.
- This is in contrast with the amount of office space that the department seems to occupy across provinces
- The variance between space occupied versus space that should be occupied is too significant to ignore (with Kwa-Zulu Natal recording the largest variance, followed by the Eastern Cape, the Western Cape and Gauteng). The lowest variance in this regard was recorded by the North West province and Limpopo.

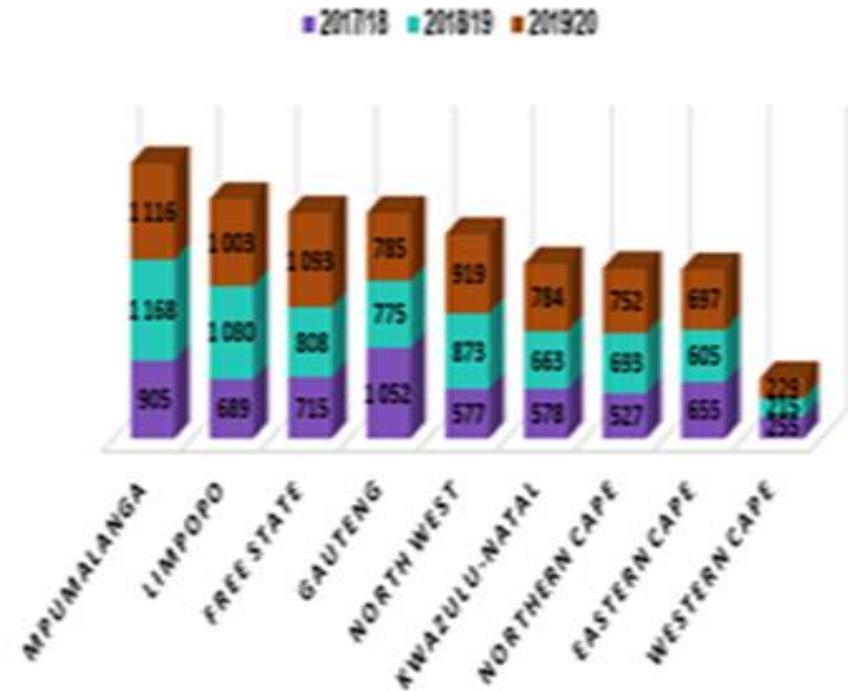
SPENDING REVIEW RECOMMENDATIONS

Expenditure by office/building area size						R'000			
Province	number of buildings	Total square metres occupied per province	Average rental costs 2017/18 to 2019/20	Estimated number of employees per province (Provision for existing vacancies)	Average cost per square metre per province	Maximum required space per province (based on square metre required per employee)	Maximum required space per province (including support space)	Estimated costs of accommodation per province	Estimated savings (based on the the prescribed square metres for each per employee)
KwaZulu-Natal	12	11 591	19 972	212	1,7	2 549	4 206	7 246	12 726
Eastern Cape	7	6 061	17 052	172	2,8	2 059	3 398	9 560	7 492
Western Cape	7	6 511	13 720	156	2,1	1 872	3 089	6 509	7 211
Northern Cape	7	4 045	6 721	107	1,7	1 282	2 115	3 514	3 207
Free State	5	4 048	7 141	121	1,8	1 454	2 400	4 233	2 908
Mpumalanga	5	3 800	6 942	124	1,8	1 483	2 447	4 471	2 471
Gauteng	4	5 396	11 654	216	2,2	2 592	4 277	9 237	2 417
North West	5	3 998	4 855	130	1,2	1 555	2 566	3 116	1 739
Limpopo	5	3 874	5 814	145	1,5	1 742	2 875	4 315	1 499
Total	57	49 324	93 871	1 382	16,8	16 589	27 372	52 200	41 671

SPENDING REVIEW RECOMMENDATIONS

Province	PROPERTY PAYMENTS						
	Number of offices (district and provincial)	Average staff compliment	2017/18	2018/19	2019/20	Average growth rate (%)	Average: Expenditure/ Total (%)
Eastern Cape	9	146	5 891	5 447	6 269	3,2%	14,3%
Free State	5	103	3 576	4 039	5 466	23,6%	10,6%
Gauteng	5	178	5 262	3 877	3 923	-13,7%	10,6%
KwaZulu-Natal	12	180	6 931	7 957	9 411	16,5%	19,7%
Limpopo	5	123	3 446	5 400	5 016	20,7%	11,2%
Mpumalanga	4	105	3 618	4 671	4 464	11,1%	10,3%
North West	5	110	2 883	4 366	4 593	26,2%	9,6%
Northern Cape	6	92	3 160	4 159	4 510	19,5%	9,6%
Western Cape	7	131	1 788	1 504	1 600	-5,4%	4,0%
Total	58	1 168	36 555	41 420	45 253	11,3%	100,0%

AVERAGE SPENDING ON PROPERTY PAYMENTS PER OFFICE R'000



SPENDING REVIEW RECOMMENDATIONS

Vehicle use

- The department's current ratio of vehicle to fieldworker/survey officer, ranges from 1:0.7 to 1:1.6 per province for the Quality Labour Force Survey and General Household Survey. This may indicate some possible inefficiencies in the department, considering the fact that an average motor vehicle carries 4 to 5 persons at a time
- The cost of vehicle and fleet services could be halved if the ratio of 1:4 (i.e. 4 fieldworkers per vehicle) is implemented in relation to the use of its vehicles for all household surveys conducted in the provinces.

SPENDING REVIEW RECOMMENDATIONS

Recommendations

- **Personnel** – while it may make sense for the department to maintain the number of district offices it currently has (as most of the surveys that are conducted in these offices are household based), it may be necessary for the department to consider merging the management structure of some of the smaller district offices, in order to balance the workload of district managers and contain the costs. The same consideration should be given to other positions in areas such as Quality Assurance and Training, Publicity, Communication and Marketing and District Quality Monitors.
- **Office Accommodation** – if the department strictly complied with the norms and standards on office space per employee prescribed by the Department of Public Works, it would derive savings of R42 million per annum from its office accommodation spending. It is also important to indicate that, a reduced size of office space will also reduce its maintenance costs, and other logistical costs such as cleaning and security services.
 - Therefore, the possible savings to be derived from strictly implementing the Department of Public Works' prescribed norms for the use of office space will derive more savings than the R42 million per annum identified.

SPENDING REVIEW RECOMMENDATIONS

- **Vehicles use** – The department should investigate implementing a ratio of 4:1 (i.e. 4 fieldworkers per vehicle) in order to save costs and reduce the number of vehicles required. Cost of vehicle hire can be halved if the department applied the ratio of 4:1 (i.e. 4 fieldworkers per vehicle) in relation to the use of its vehicles for all household surveys.

Important to note:

The report produced from the expenditure review project was submitted to Stats SA. However, the National Treasury and the department have not yet started engagements to explore the practicality of some of the recommendations. These engagements will take place before preparations of the 2022 MTEF process. The department is also engaged in cost saving projects of its own, which it is envisaged will be shared with the National Treasury during our engagements.

Thank you



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