

MINISTER OF DEFENCE AND MILITARY VETERANS



NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NO 621

DATE OF PUBLICATION: 27 OCTOBER 2022

**REPLY RECOMMENDED BY:
MINISTER OF DEFENCE AND MILITARY VETERANS: MP**

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Mr V C Xaba (ANC) to ask the Minister of Defence and Military Veterans:

Considering that over-expenditure on compensation of employees remains the largest contributor to irregular expenditure in her Department of Defence (DOD), and noting that the DOD previously indicated to Parliament that it intends to bring the specified expenditure under control by the 2024-25 financial year through a number of interventions, has she found that the DOD

(a) Is on track with the implementation of the Mobility Exit Mechanism for the 2022-23 financial year according to the agreement with National Treasury and

(b) Will have over-expenditure on compensation of employees under control by the 2024-25 financial year?

REPLY

(a) On 3 February 2021, the PCD&MV was briefed on a course of action to curb HR cost pressures and subsequently the Minister of Defence and Military Veterans (MOD&MV) issued a Ministerial Directive to reduce HR cost pressures over the 2021 MTEF and MTSF. The aim of which was to reach an equilibrium between HR budget required and the appropriated CoE allocation. A Ministerial Directive was approved on 31 March 2021 initiating the implementation of HR cost-saving measures to down-manage HR cost pressures over the 2021 MTEF and MTSF. This Ministerial Directive guides the implementation of HR interventions listed below:

- I. Maintaining an average planned HR strength of 73,000 over the MTEF.
- II. Reduce Reserve Force man-days to 1,990 259. Recruit Military Skills Development.
- III. System intakes every alternate calendar year.
- IV. Cap annual increases of regimental- and operational allowances as well as allowances paid in lieu of scarce skills retention.
- V. Re-activate the implementation of exit strategies i.e. Mobility Exit Mechanism (MEM) and Employee Initiated Severance Package (EISP).

Subsequently, an exit plan to separate soldiers was initiated on 1 April 2022. The exit plan forecasts the separation of 1 548 soldiers for the financial year 2022/23 at an expected cost of Rb1, 868. The National Treasury has allocated Rb1 to fund Government Employees Pension Fund liabilities and approved the internal reprioritisation of Rm868 to cover the severance costs of members.

In accordance with issued instructions to effect the separation of soldiers via the Mobility Exit Mechanism for the financial year 2022/23, 433 ministerial approvals have been granted to date and 256 offers are in the process of consideration. A further 500 offers are expected to be submitted for ministerial consideration on or before 30 November 2022. It is expected that approximately 1200 members will separate via the Mobility Exit Mechanism (on 31 January 2022).

(b) The DOD has taken progressive steps to implement HR interventions to reduce HR cost pressures over the Medium-Term Expenditure Framework (MTEF). The forecast MTEF planning to down-manage HR cost pressures denotes that the compensation of employees' expenditure is likely to be reduced in the 2024/25 financial year and potentially **break-even in the financial year 2025/26**. It is foreseen that a significant reduction of compensation of employees' expenditure will occur when comparing the compensation of employees' expenditure with previous years.

However, HR expenditure factors will adversely impact the current forecast due mainly to concluded wage negotiation and a potential increase of military operations.

Ser No	MTEF Planning		FY2023/24	FY2024/25	FY2025/26
	a		b	c	d
1	Cost of Employment (CoE)	Allocation R'000	29,649,010	30,980,536	32,368,468*
		Projected Expenditure R'000	32,566,410	32,416,393	32,403,529
		Shortfall R'000	-2,917,400	-1,435,857	-35 061
2	Average Strength Per FY	Planned	72,864	72,597	70,946
		Projected Strength (<u>considering implementation of HR Exit Strategy</u>)	71,472	69,900	68,220
3	Reserve Forces	Mandays	1,988,352	1,987,213	1,987,213
		Wages R'000	1,554,668	1,513,720	1,513,720
4	MSDS	Intakes	2,207	0	2,457

(DOD forecast as at 24 October 2022)

The DOD remains committed to implement HR cost-saving measures aligned to planned HR interventions.



(T.R. MODISE)

MINISTER OF DEFENCE AND MILITARY VETERANS (MP)

DATE: _____