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THE NATIONAL COMMISSIONER
DIE NASIONALE KOMMISSARIS

PRETORIA

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Ms A van Wyk MP
Acting Chairperson
Portfolio Committee on Police
Parliament
PO Box 15
CAPE TOWN
8000

Dear Ms Van Wyk

**ADDITIONAL INFORMATION TO BE INCLUDED IN PRESENTATION ON
FINANCIAL INFORMATION: PROPOSAL TO NATIONAL TREASURY WITH
REGARD TO 2013/14 BUDGET ALLOCATION FOR THE SAPS**

1. Your letter in the above regard requesting detail information in regard of the 2013 MTEF process, refers.
2. It will no doubt be appreciated that the forthcoming MTEF cycle commencing in 2013/14 is currently being attended to by various role players including the SAPS, National Treasury, Ministers Committee on the Budget and Cabinet. It is part of a process progressing through different sequential interdependent phases.
3. The 2013 Medium Term Expenditure Framework (MTEF) budget process guidelines regarding the preparation of expenditure estimates were provided to departments. The comprehensive set of guidelines in essence entailed the following:
 - o Budget submissions by departments have to comprise of two scenarios, namely:

- A submission where the aggregate budget baseline is kept unchanged; and
 - A scenario where the 2013/14, 2014/15 and 2015/16 MTEF baseline is reduced by 1%, 2% and 3% respectively. (These cuts will not necessarily be imposed but were requested to determine what the impact will be.)
- o The Department of Police also submitted a third option requesting additional funding over and above the baselines over the medium term with an indication of the spending priorities experiencing spending pressures.
- o Headline CPI inflation for the MTEF planning process are provided, and to the following extent:
- 2012/13 5.9 per cent
 - 2013/14 5.3 per cent
 - 2014/15 4.9 per cent
 - 2015/16 4.6 per cent.
- o The Functional Medium Term Expenditure Committee's (MTEC's) (8 of them of which Defence, Public Order and Safety is one) are used to make recommendations to the main MTEC and MinComBud on various aspects.
- o As requested by the National Treasury, the Budget submission comprised of two scenarios, namely:
- Scenario 1: Aggregate budget baseline is kept unchanged. ("Holding" budget)

The aggregate budget baselines are the following: (Year-on-year increases are depicted in nominal terms).

2012/13	R 62,485 billion
2013/14	R 66,921 billion (7,0% increase on 2012/13)
2014/15	R 70,848 billion (5,9% increase on 2013/14)
2015/16	R 74,107 billion (4,6% increase on 2014/15)

Should these amounts be appropriated as the "holding" budget over the next three years, the following implications will be evident:

Personnel numbers to remain at its current level of 197 930 (dependent upon the outcome of the 2012 Adjustments Estimate process).

- No additional funding will be available for the introduction of any new programmes or projects.
- Reprioritization to be performed should intensity level of services require adjustment – shift of emphasis on particular spending priorities.
- The discretionary budget in the Vote will be limited.
- Capital asset and transfers and subsidies budgets to remain at current levels.
- Non-essential expenditures will have to be reduced and redirected towards core functional activities.

Reprioritisation was performed to sustain current funding levels in the Vote, especially the compensation budget; the latter in respect of which R400 million to be diverted from the goods and services budget baselines to that of compensation (annually over the medium term), hence the spending pressures being experienced.

- Scenario 2: The 2013/14, 2014/15 and 2015/16 MTEF baseline is reduced by 1%, 2% and 3% respectively.

The budget baseline reductions, on aggregate, are the following:

2013/14	R 66,921 billion (1,0% reduction – R669,213 million)
2014/15	R 70,848 billion (2,0% reduction – R1 416,959 million)
2015/16	R 74,107 billion (3,0% reduction – R2 223,209 million)

The impact of baseline reductions of this kind will impact primarily adversely on compensation, taking into account reprioritisation on goods and services.

Should these reductions be introduced against compensation of employees, the effect will be a total staff reduction of 17 428 personnel, which is obviously unrealistic and not viable.

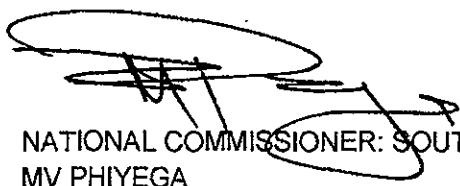
- o The Treasury Guidelines talks to a “holding budget” for planning purposes over the medium term, implying that no additional funding will be allocated to departments during this MTEF cycle. It is of importance for the Police to indicate those aspects that do require specific emphasis in terms of additional funding. These requests relate to the following:
 - New salary dispensation for Police;
 - Additional funding to sustain staffing levels of at least 197 930;

- Grade progression for Constable to Sergeant;
- Certain Pension fund liabilities to the GEPF;
- Increases in fuel and oil;
- Strengthening capacity to perform Operational Response Services;
- Enhancement of Visible Policing;
- Specialised technical equipment for Protection and Security Services;
and
- Mega capital infrastructure projects.

Sub-functional and functional MTEC group meetings between the National Treasury and departments took place in order for the National Treasury to make recommendations to the main MTEC and Ministers Committee on the Budget on programme baselines, reprioritisation, spending priorities, provision for personnel establishments, analysis of spending on capital projects among other.

4. The eventual main MTEC recommendations to MinComBud and the outcome thereof are however not known at this point in time. As the 2013 MTEF process is still ongoing it would not be appropriate of SAPS to refer to the occurrence or non-occurrence of uncertain aspects not wholly within the control of the Department.
5. In view of the afore-mentioned, the details pertaining to your request were not included in the presentation submitted to the Portfolio Committee.
6. It is trusted that you will find this arrangement in order.

Kind regards.



NATIONAL COMMISSIONER: SOUTH AFRICAN POLICE SERVICE
MV PHIYEGA

GENERAL

Date: 15/10/2012