

2020

**A spending review on the efficiency of
infrastructure spending in the heritage
sector**

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NATIONAL TREASURY

Executive Summary

The social importance of heritage assets to the South African public is what drives DSAC to invest in capital project analyses at the departmental and public entity level. The Department implements its heritage assets through capital transfers to public entities and by directly contracting IDT to carry out the implementation. The data shows that planning, budgeting and management of capital projects is a severe challenge to DSAC. The main discovery was that the departmental infrastructure, which is the portion of capital projects the Department implement itself performs low than public entities at face value. The capital transfers to public entities show a trend of in-year transfer to public entities that seem to be unplanned and impact on correct financial reporting.

The overall picture for infrastructure projects is the sporadic and unstable spending on projects which shows that the planning for these projects was not systemic and efficient. The data shows that there is a need for more significant evaluation of capital transfer to public entities to some degree to gauge the extent of the underspending at the public entity level. Current data is limited and does not give granular details about the infrastructure spending at the public entity level. The recommendations for this spending review are as follows:

- Capital transfers to public entities should be performance-based and be monitored by the National Treasury through the IDMS system. The Department should consider making greater use of the Infrastructure Delivery Management System for public entities to improve their planning, budgeting, procurement, and delivery.
- The Department should seek to replace IDT as the primary contractor and level the playing field by allowing more competition of its capital project.
- The increase to infrastructure budgets should adopt a milestone-based approach to curb the poor spending trend on infrastructure projects.
- The SCOA reporting system should be introduced to public entities to ensure harmonisation of spending data at public entities and departmental level.

The possible impact for introducing the IDMS system to public entity infrastructure will allow budget analysis to track real-time spending on capital projects spending empowering analysts to make informed decisions. This could enable budget analysts to take proactive action concerning the lack of progress in specific projects. More competition for the Independent Development Trust could push the institution to be more competitive in the market and give value for money at a cheaper cost. Competition could drive the IDT to put more effort into improving its programme management capacity and developing more infrastructure monitoring and manage systems. The IDT should earn the right to lend DSAC infrastructure contracts. Introducing a milestone-based approach to infrastructure projects could enable the Department to think more strategically about prioritising important infrastructure projects rather than implementing all its infrastructure projects at once. Public entities' financial reports are challenging to gain access to because they are not to the BAS system. The integration and standardisation of financial reporting across government institution could result in better control of public entities' spending.

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Further, there were serious data limitations and both the appropriate level of information, and its correctness could not be independently verified.

Summary

The importance of having heritage assets in the country does ensure that the history of South Africa is preserved and protected. However, the low spending on infrastructure projects seeks to undermine those efforts. The main discoveries in this spending review are that capital transfers to public entities take up more than 75 per cent of the total infrastructure budget. In comparison, the portion for departmental infrastructure is less than 25 per cent. This 25 per cent spending can be attributable to the fact that the Department was only able to implement 4 of the 16 legacy projects it had planned to implement between 2017/18 and 2019/20.

Capital transfers to public entities more than double between 2017/18 and 2019/20 moving from R128.7 million to R305.8 million without any credible evidence to suggest that there were improvements in the capacity to deliver capital projects. The need for integrated infrastructure planning, budgeting, monitoring and management systems within the Department need immediate attention to make an impact on the progress of the implementation of heritage assets.

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1 Introduction

Heritage Assets refer to mainly physical assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. South Africa has a long and rich history that needs to be promoted so that all South Africans can remember and understand the important events and figures that contributed to our journey to democracy. Our heritage and culture must also be preserved for future generations. Museums, heritage sites and performance centres play an essential role in safeguarding and promoting the country's heritage.

However, over the years, it has become apparent that the Department of Sports, Arts and Culture cannot budget, plan and manage heritage infrastructure projects. This has led to slow progress in the implementation and delivery of infrastructure projects. Poor capital project preparation as a result of lack of requisite infrastructure expertise has led to the continued use of ineffective and inefficient infrastructure delivery models for the Department's heritage assets.

There are also questions about the efficiency and effective utilisation of procurement systems to appoint contractors for heritage assets. It appears that poor contract management from the part of the Department of Sports, Arts and Culture has resulted in wastage and poor completion record of infrastructure projects.

The Department does not have a plausible plan for identifying infrastructure projects and implementation instruments for its capital projects. The identification of incorrect implementation instruments and model is cause for the underspending trend that has continued since the inception of the infrastructure funding.

This spending review seeks to understand:

- Are there potential savings for cutting specific infrastructure projects that have not completed in the past financial years?
- Which model of procuring infrastructure projects, between public and private contracting, works better for delivering completed heritage assets (infrastructure projects)?

2 Policy and Institutional Information

Key policies, laws and regulations

The Department provides leadership to the sport, arts and culture sectors to accelerate its transformation; oversee the development and management of sport, arts and culture in South Africa and its mandate derived from the following legislation:

- the National Heritage Resources Act (1999)
- the National Council for Library and Information Services Act (2001)
- the Use of Official Languages Act (2012)
- the Heraldry Act (1962)
- the Culture Promotion Act (1983)
- the National Archives and Record Service of South Africa Act (1996)
- the Legal Deposit Act (1997)
- the South African Geographical Names Council Act (1998)
- the Cultural Institutions Act (1998)

Decision-makers at programme, Department and national

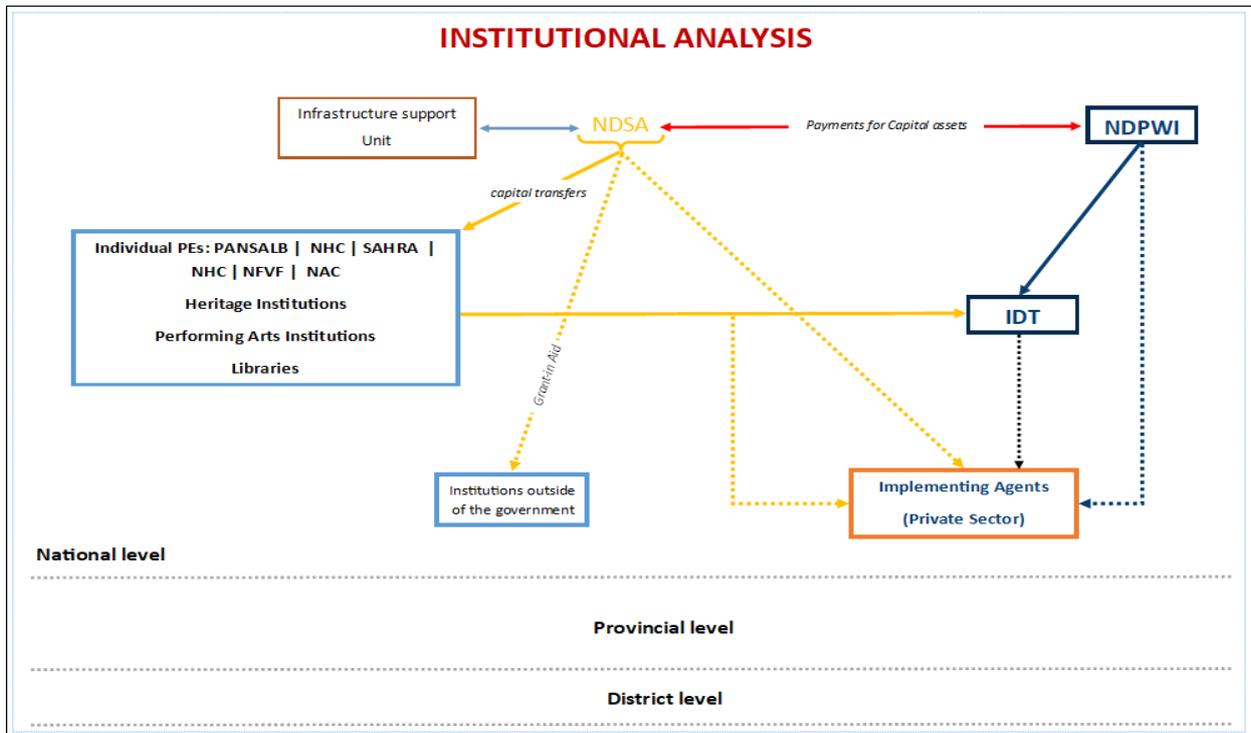
- The Director-General (DG) has the ultimate power to decide on, and implement savings at programme, Department and national.
- Chief Financial Officer consults with programme managers and the DG before a financial decision is made.
- Programme managers oversee project implementation on the ground and advise on financially viable and non-viable projects.

Figure 1 shows the stakeholders involved in the heritage infrastructure."

- Infrastructure support unit within the NDSAC:
- National Department of Public Works and Infrastructure:
- Individual Public Entities:
- Industrial Development Trust:
- Implementing agents:

Infrastructure Delivery Approaches within the heritage sector

Figure 1: Institutional Analysis



The DSAC has two infrastructure delivery approaches for its heritage assets. Under the first approach, public entities do maintenance, upgrades, renovation, construct new buildings/facilities, commission monuments and statues, amongst other things. The second approach covers departmental infrastructure projects. This includes a series of heritage liberation route projects, which the Department implements by commissioning the Department of Public Works and Infrastructure to design, plan and build the project.

The Department of Sports, Arts, and Culture, over an MTEF period, allocates earmarked funds towards heritage assets. The Department splits this capital budget, between departmental infrastructure and capital transfers to public entities. However, there is no clear indication of what methodology is applied to separate the budget, nor is there a policy guiding it. The Department does, as and when the need arises, provide financial assistance to institutions outside of government through a grant-in-aid for capital projects fall within the DSAC's mandate. The grant-in-aid section of infrastructure projects will not form part of this spending report as it is usually once-off financial support that falls outside of DSACs reporting in term of performance.

The first approach for implementing DSACs heritage assets projects entails direct a contract with the DPWI for implementation of capital projects. In this instance, DPWI invoices the Department after achieving the specific milestone sets out in a memorandum of agreement. Invoices are paid directly from payments for capital assets. Under this approach, the DPWI "appoints" the Independent Development Trust, which is the implementing agent responsible for delivering social infrastructure in government. The IDT manages the implementation and delivery of critically needed social infrastructure programmes on behalf of the government, which includes using its internal expertise and outsources skills from the built sector. In exceptional circumstances, DPWI appoints a private-sector contractor as an implementing agent to deliver infrastructure projects for client departments. Government departments can also seek private-sector contractors as implementing agents directly; however, DPWI has the first right of refusal in such unique instances.

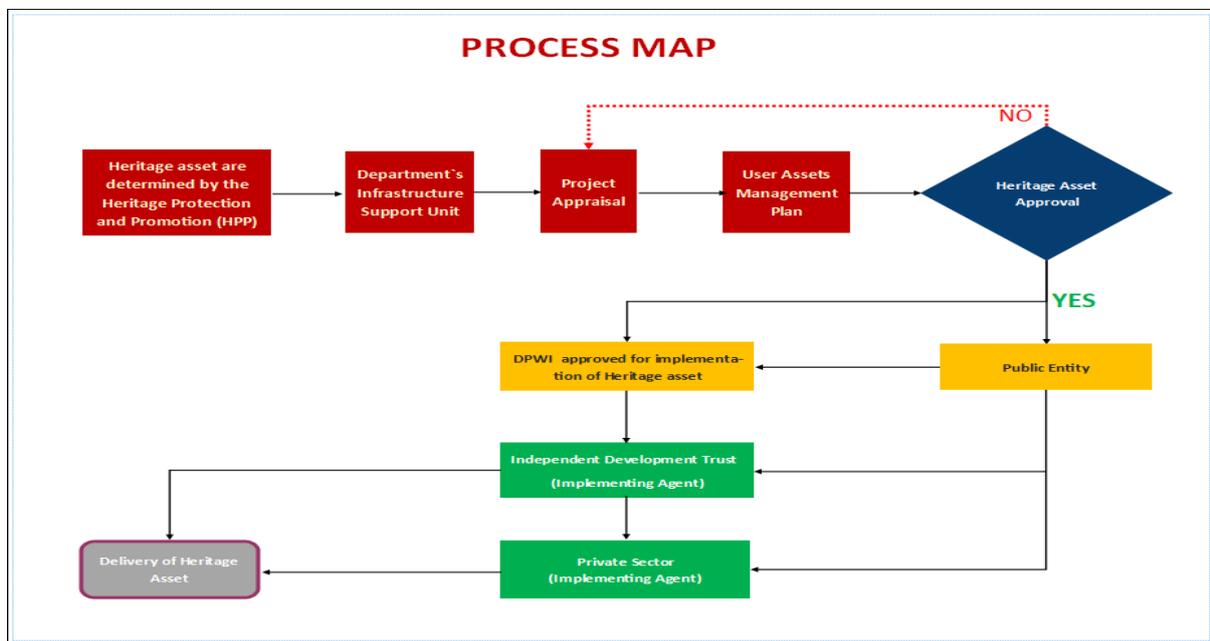
The second approach for heritage assets is through capital transfers to public entities. Public institutions implement these heritage legacy projects and other projects (as mentioned above) on behalf of DSAC. However, these public entities have greater flexibility when it comes to procurement. They can either contract the IDT through the National Department of Public Works or use private contractors as implementing agents.

3 Programme Chain of Delivery

Figure 2 shows the infrastructure planning and procurement processes and the steps which determine priority infrastructure projects. The Infrastructure Support Unit discusses project progress and allocations (which includes monitoring). This unit is responsible for setting up the approval process for all infrastructure projects. It then develops a User Assets Management Plan which it submits to Budget Office in the National Treasury each financial year. In this "appraisal" process, heritage assets are either rejected or approved for implementation, and the budget is allocated. Rejected capital projects are returned to the appraisal process, where they are refined and assessed further to warrant their need as a heritage asset. Approved projects are either approved as departmental infrastructure or as capital transfers to public entities. The procurement approach depends on how the funds are allocated, as shown in the schematic representation in figure 2.

A possible area where savings can be realised is in the selection of the procurement approach for both the departmental and public entities infrastructure. The Department prefers appointing IDT because it is a government institution; however, most of its underspending is due to the poor performance by IDT. It is unclear whether going through an intermediary like the IDT increases the costs of the infrastructure as opposed to using a private contractor.

Figure 2: Infrastructure planning and procurement process



4 Performance Analysis

The Department has three performance indicators that link directly to the infrastructure budget. Two of the three performance indicators that the Department reports on do not have historical data as they are new, only the "*number of heritage legacy projects implemented*" has recorded information from 2017/18. In term of the number of legacy projects implemented, the Department has only been able to deliver 9 (nine) projects in the past three financial years compared to a target of 30. This achievement is underwhelming, considering the substantial budget allocated to capital projects each financial year the Department is given a large budget between R300 million and R500 million each financial year to implement capital projects.

Figure 3: Performance indicators

Performance Indicator	AUDITED ACTUAL PERFORMANCE			ESTIMATED PERFORMANCE	MTEF TARGETS		
	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23
No. of heritage infrastructure projects financially supported	*NPI	*NPI	*NPI	-	4	4	4
Number of heritage legacy projects implemented	3	3	3	0	2	1	1
Number of Provincial Resistance and Liberation Heritage Route (RLHR) Sites developed	*NPI	*NPI	*NPI	3	18	27	27

**NPI - Not Planned for Implementation*

5 Expenditure Observations

The DSAC with two types of infrastructure delivery records spending against transfers and subsidies and payment for capital assets. The spending review analyses the spending trends generated by the two models and the implication for DSACs budget.

There was data limitation concerning the sourcing of capital spending data from the Department of Sports, Arts and Culture. The Vulindlela report became a convenient and reliable source of data. For performance information, Annual Performance Plans for indicator targets and actual performance were used.

The Vulindlela raw data was sourced from the official sites, and the expenditure data per financial year (2017/18-2019/20) was sourced the methodology below was used to present data as follows:

- *Infrastructure spending analysis (original budget)* – was used to gauge the Department's infrastructure spending against the original budget;
- *Spending as a percentage of the revised budget* – was used to get a sense of whether the Department's spending improves after adjusting its budget;
- *Revised budget by type of infrastructure* – was used to assess where the bulk of the capital budget lies by type of infrastructure;
- *Quantum of Underspending* – was used to demonstrate the underspending patterns per project; and
- *Per project spending as a share of total expenditure* – was used to assess the per-project expenditure as a portion of the total spend on infrastructure projects.

Infrastructure spending

Figure 4: Legacy projects spending

Departmental Infrastructure	Type	2017/18			2018/19			2019/20		
		Original budget	Actual Expenditure	Variation (Original and Actual)	Original budget	Actual Expenditure	Variation (Original and Actual)	Original budget	Actual Expenditure	Variation (Original and Actual)
ISIBHUBHU CULTURAL ARENA	Cultural Precinct	28,117	0	28,117	55,609	0	55,609	40,000	0	40,000
CHIEF TYALI	Heritage Centre	0	0	0	3,700	0	3,700	0	0	0
NATIONAL ARCHIVES	HVAC	37,725	0	37,725	0	0	0	76,000	0	76,000
DR.JL DUBE MEMORIAL	Interpretative Centre	0	0	0	0	412	(412)	0	0	0
JL DUBE HOUSE	Interpretative Centre	10,000	0	10,000	8,000	0	8,000	5,000	0	5,000
OR TAMBO MEMORIAL	Interpretative Centre	10,000	1,428	8,572	8,000	1,153	6,847	8,000	9,740	(1,740)
OLD LIBRARY	library	20,000	23,136	(3,136)	0	0	0	0	0	0
DELVILLE WOOD	Museum	0	0	0	5,000	0	5,000	0	0	0
DRAKENSTEIN CORRECTIONAL FACILITY	Museum	500	0	500	0	0	0	0	0	0
INGQUZA HILL MUSEUM	Museum	7,000	4,362	2,638	10,000	0	10,000	0	200	(200)
KHANANDA HILL MEMORIAL	Museum	0	0	0	0	2,356	(2,356)	20,397	0	20,397
LIBERATION HERITAGE ROUTE	Museum	40,793	0	40,793	25,000	0	25,000	0	0	0
SARAH BAARTMAN CENTRE	Museum	59,491	14,374	45,117	50,739	15,470	35,269	60,841	27,015	33,826
ARCHIE GUMEDE PLACE	Statue	0	0	0	1,000	0	1,000	0	0	0
Isandlwana (Statue of King Cetshwayo)	Statue	5,000	0	5,000	2,000	0	2,000	0	0	0
GUMTREE MILL	Unclassified	2,000	0	2,000	500	0	500	0	0	0
TOTAL		220,626	43,300	177,326	169,548	19,391	150,157	210,238	36,954	173,284

Figure 4 shows that the Department's capital spending in 2017/18 amounted to R43.3 million of its original budget of R220.6 million for departmental infrastructure. The expenditure led to an underspending of R177.3 million. The composition of the underspending was R28.1 million on Isibhubhu Cultural Arena project, R37.7 million on the National Archives project, R10 million on the JL Dube House, R8,6 million on O R Tambo Memorial, R 40.8 million on Liberation Heritage route project, R45.1 million on the Sarah Baartman Centre of Remembrance, and R5 million on Isandlwana (Statue of King Cetshayo).

In 2018/19, the Department's capital spending amounted to R19.4 million of its original budget of R169.5 million. In the same year, the Department underspent by R163.6 million. The composition of the underspending was R55.6 million on Isibhubhu Cultural Arena project, R8 million on the JL Dube House project, R6.8 million on the on O R Tambo Memorial, R10 million on the Ingquza Hill Museum project, R25 million on the Liberation Heritage Route, and R35.3 million on the Sarah Baartman Centre of Remembrance.

In 2019/20, the Department's spending amounted to R37 million of its original budget of R210.2 million for departmental infrastructure. In the same year, the Department recorded an underspending of R173 million. The composition of this underspending was R40 million on Isibhubhu Cultural Arena project, R76 million on the National Archives project, R5 million on the JL Dube House project, R20.4 million on the Khananda Hill Memorial, and R33.8 million on the Sarah Baartman Centre of Remembrance project.

The Department's budget and spending change significantly between 2017/18, 2018/19 and 2019/20. The highs and lows in the budgeting and expenditure are evident in the Isibhubhu Cultural Arena project, National Archives, JL Dube House, O. R Tambo house, Liberation Heritage route and Sarah Baartman Centre of Remembrance. These projects are the Legacy projects of the DSAC and are the cornerstone of the DSAC's mandate.

Figure 5: Capital Transfers to Public Entities

Public Entities Infrastructure (Transfers)	Type	2017/18			2018/19			2019/20		
		Original budget	Actual Expenditure	Variation (Original and Actual)	Original budget	Actual Expenditure	Variation (Original and Actual)	Original budget	Actual Expenditure	Variation (Original and Actual)
SOUTH AFRICAN HERIT RESOURC AGEN	Agency	2,000	13,000	(11,000)	0	5,000	(5,000)			0
National Arts Council	Council	0	0	0	1,800	1,800	0	0		0
NATIONAL HERITAGE COUNCIL	Council			0			0	0	20,398	(20,398)
NAT FILM&VIDEO FOUNDATION OF SA	Foundation	0	0	0	13,248	0	13,248	7,750	20,950	(13,200)
NATIONAL LIBRARY OF SOUTH AFRICA	Library	31,914	12,914	19,000			0	11,299	11,299	0
SA LIBRARY FOR THE BLIND	Library	4,766	0	4,766	0	0	0	8,600	657	7,943
Amazwi	Museum	2,635	1,000	1,635	4,100	3,000	1,100	2,000	2,000	0
DIE AFRIKAANSE TAALMUSEUM	Museum	2,000	1,286	714	1,608	1,608	0	3,581	3,581	0
DITSONG:MUSEUMS OF SOUTH AFRICA	Museum			0	21,000	31,514	(10,514)	25,577	15,577	10,000
FREEDOM PARK TRUST	Museum	2,000	2,000	0	0	0	0	0	3,851	(3,851)
IZIKO MUSEUMS OF CT	Museum	68,537	48,537	20,000	20,200	44,771	(24,571)	16,406	12,050	4,356
KWAZULU-NATAL MUSEUM	Museum	1,000	0	1,000	4,200	25,584	(21,384)	33,542	81,614	(48,072)
LUTHULI MUSEUM	Museum	1,250	750	500	0	0	0			0
NAT MUSEUM BLFT	Museum	2,000	0	2,000	0	0	0	9,750	0	9,750
NELSON MANDELA NATIONAL MUSEUM	Museum	1,925	668	1,257	4,000	37,576	(33,576)	6,000	6,000	0
ROBBEN ISLAND MUSEUM	Museum	10,454	10,344	110	43,300	34,900	8,400	37,825	34,825	3,000
UMSUNDUZI MUSEUM	Museum	1,000	1,000	0	0	0	0	3,250	3,250	0
WAR MUSEUM BOER REPUBLIC	Museum	1,000	1,000	0	0	500	(500)	6,053	9,052	(2,999)
WILLIAM HUMPHREYS ART GALLERY	Museum	1,000	1,000	0	4,103	4,103	0	17,000	17,000	0
ARTSCAPE	Performing Art Instituti	30,000	16,480	13,520	4,625	16,500	(11,875)	1,975	1,975	0
MARKET THEATRE	Performing Art Instituti	22,000	12,000	10,000	15,000	1,500	13,500	25,698	19,498	6,200
PERF ART COUNCIL OF FREE STATE	Performing Art Instituti	21,000	0	21,000	7,738	7,737	1	25,975	18,475	7,500
SA STATE THEATRE	Performing Art Instituti	5,000	5,000	0	5,900	5,900	0	17,168	17,168	0
THE PLAYHOUSE COMPANY	Performing Art Instituti	4,770	1,770	3,000	31,852	31,852	0	6,537	6,537	0
TOTAL		216,251	128,749	87,502	182,674	253,846	(71,172)	265,986	305,757	(39,771)

Figure 5, shows that the Department's capital transfer to public entities in 2017/18, was R128.7 million of its original budget of R216.3 million. In was an underspent of R87.5 million against the original budget. The composition of the underspending was on capital transfers to National Library of South Africa, Iziko museums, Artscape, the Market Theatre and Performing Arts Council of Free State.

In 2018/19, the Department's capital transfers were more than what it had planned to transfer by R71.2 million. The overspending occurred as a result of the high transfer to SAHRA, Ditsong Museums, Iziko Museums, KwaZulu-Natal, Nelson Mandela Museum, and Artscape.

2019/20 capital transfer to public entities follows a similar trend of the previous year. The department overspending by R39,8 million, because of higher than expected capital transfer to the National Heritage Council, National Film and Video Foundation, and KwaZulu-Natal Museum.

The exponential increase in the total of capital transfer public entities in each of the financial year under assessment from R128.7 million in 2017/18 to R305.8 million in 2019/20 shows lack of planning. The capital transfer more than doubled in the space of three years without improvement in the completion rate of infrastructure projects.

Per project spending as a share of total spending

Figure 6: Legacy Projects (i.e. Departmental infrastructure) as a share of total spending

Figure 7: Capital transfer to public entities as a share of total spending

The Department of Sports, Arts and Culture has a portfolio of an estimated 16 departmental legacy projects it implements itself through DPWI. Although the Department had planned for

Departmental Infrastructure	% of the total budget spend		
	2017/18	2018/19	2019/20
ISIBHUBHU CULTURAL ARENA	0%	0%	0%
CHIEF TYALI	0%	0%	0%
NATIONAL ARCHIVES	0%	0%	0%
DR JL DUBE MEMORIAL	0%	0%	0%
JL DUBE HOUSE	0%	0%	0%
OR TAMBO MEMORIAL	1%	0%	3%
OLD LIBRARY	13%	0%	0%
DELVILLE WOOD	0%	0%	0%
DRAKENSTEIN CORRECTIONAL FACILITY	0%	0%	0%
INGQUZA HILL MUSEUM	3%	0%	0%
KHANANDA HILL MEMORIAL	0%	1%	0%
LIBERATION HERITAGE ROUTE	0%	0%	0%
SARAH BAARTMAN CENTRE	8%	6%	8%
ARCHIE GUMEDE PLACE	0%	0%	0%
Isandlwana (Statue of King Cetshwayo)	0%	0%	0%
GUMTREE MILL	0%	0%	0%
TOTAL	25%	7%	11%

16 projects, it only managed to implement four projects. The exciting conclusion is that this data back the claim that the Department's budgeting and planning for infrastructure project is insufficient.

Public Entities Infrastructure (Capital Transfers)	% of the total budget spend		
	2017/18	2018/19	2019/20
SOUTH AFRICAN HERIT RESOURC AGEN	8%	2%	0%
National Arts Council	0%	1%	0%
NATIONAL HERITAGE COUNCIL	0%	0%	6%
NAT FILM&VIDEO FOUNDATION OF SA	0%	0%	6%
NATIONAL LIBRARY OF SOUTH AFRICA	8%	0%	3%
SA LIBRARY FOR THE BLIND	0%	0%	0%
Amazwi	1%	1%	1%
DIE AFRIKAANSE TAALMUSEUM	1%	1%	1%
DITSONG:MUSEUMS OF SOUTH AFRICA	0%	12%	5%
FREEDOM PARK TRUST	1%	0%	1%
IZIKO MUSEUMS OF CT	28%	16%	4%
KWAZULU-NATAL MUSEUM	0%	9%	24%
LUTHULI MUSEUM	0%	0%	0%
NAT MUSEUM BLFT	0%	0%	0%
NELSON MANDELA NATIONAL MUSEUM	0%	14%	2%
ROBBEN ISLAND MUSEUM	6%	13%	10%
UMSUNDUZI MUSEUM	1%	0%	1%
WAR MUSEUM BOER REPUBLIC	1%	0%	3%

Figure 6, shows the spending on Legacy projects, i.e. departmental infrastructure. The spending on legacy projects constituted 25 per cent, and capital transfers to public entities constituted 75 per cent in figure 7 of the total expenditure on capital projects in 2017/18. In 2018/19, departmental spending on legacy projects constituted 7 per cent in figure 6, while spending on capital transfers accounted for 93 per cent of the total infrastructure spending in figure 7. In 2019/20, departmental spending on legacy projects accounted for 11 per cent in figure 6, while capital transfer to public entities accounted for 89 per cent of the total capital spending in figure 7.

Figure 6 shows that 13 per cent of the expenditure on legacy projects was mainly on Old library projects as a once-off and 8 per cent on the Sarah Baartman Centre of Remembrance in 2017/18. As a share, the Sarah Baartman project accounted for 7 per cent of spending in 2018/19. In 2019/20, the Sarah Baartman project accounted for 8 per cent spending, while the OR Tambo House project spent 3 per cent. The graph evidence shows that the yearly capital transfers to public entities appear random and intermittent. For instance, in 2017/18, the transfer to Iziko was 28 per cent of the total infrastructure spending, in 2018/19 it was 16 per cent, and in 2019/20 it was 4 per cent without any of its projects nearing completion.

Revised budget by type of infrastructure

Figure 8: Revised budget allocation for legacy projects (i.e. Departmental infrastructure)

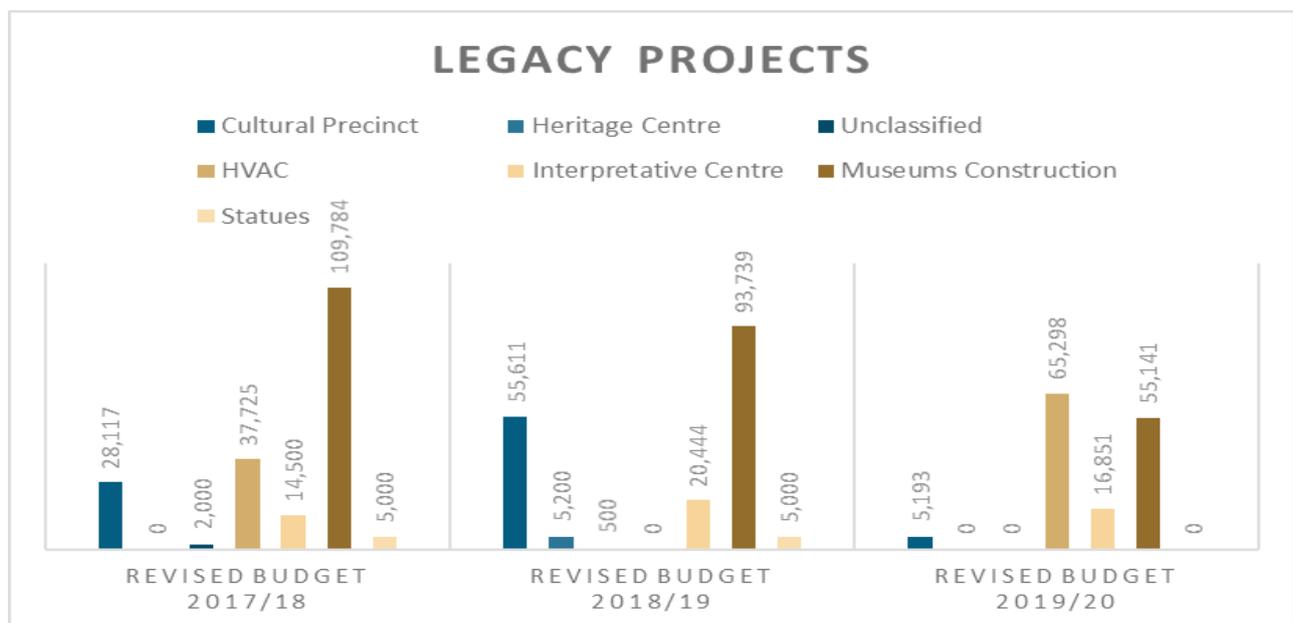
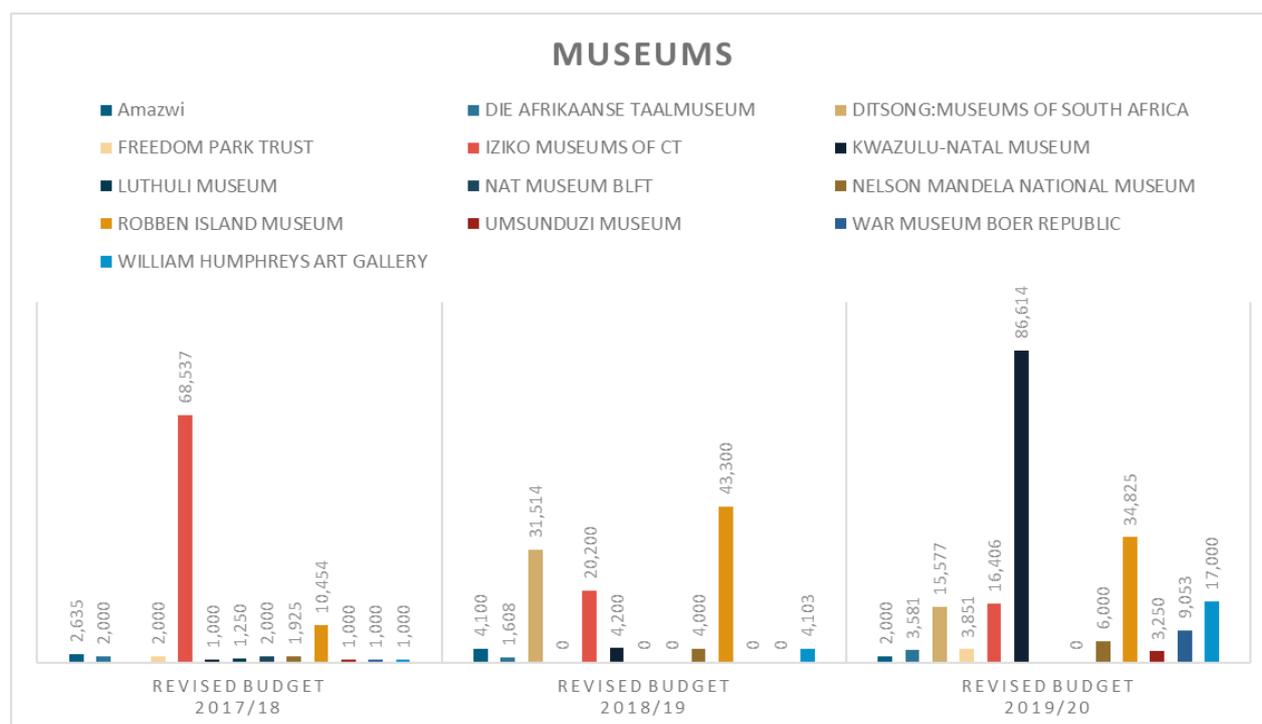


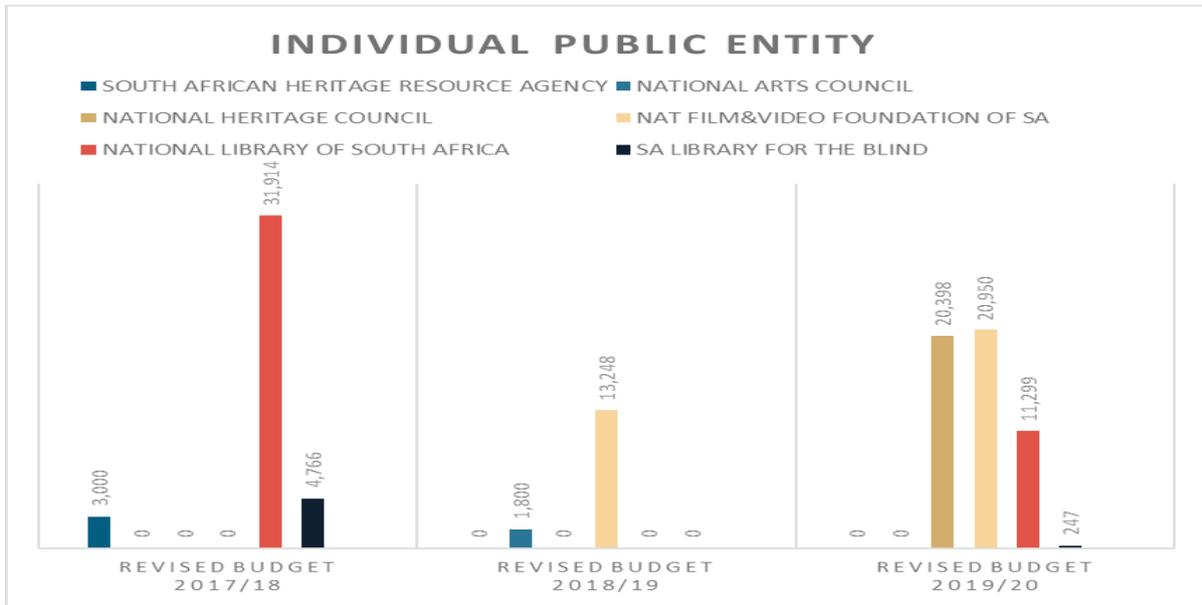
Figure 8 shows that legacy projects that significant budget portion of the budget went towards the construction of museums, R190.7 million in 2017/18, R93.7 million in 2018/19 and R55.1 million in 2019/20. Though the budget decreases between 2017/18-2019/20, it remains high due to the Department's commitment towards the preservation of heritage assets. The second highest budget allocation is between HVAC, Cultural Precinct and Interactive Centre between 2017/18 and 2019/20, with HVAC being the second-highest in 2017/18 and 2019/20, whilst Cultural precinct was second highest in 2018/19. The sporadic allocation is owed to in-year virements to fund the "completion" of outstanding infrastructure projects at public entities.

Figure 9: Revised budget allocation for Museums



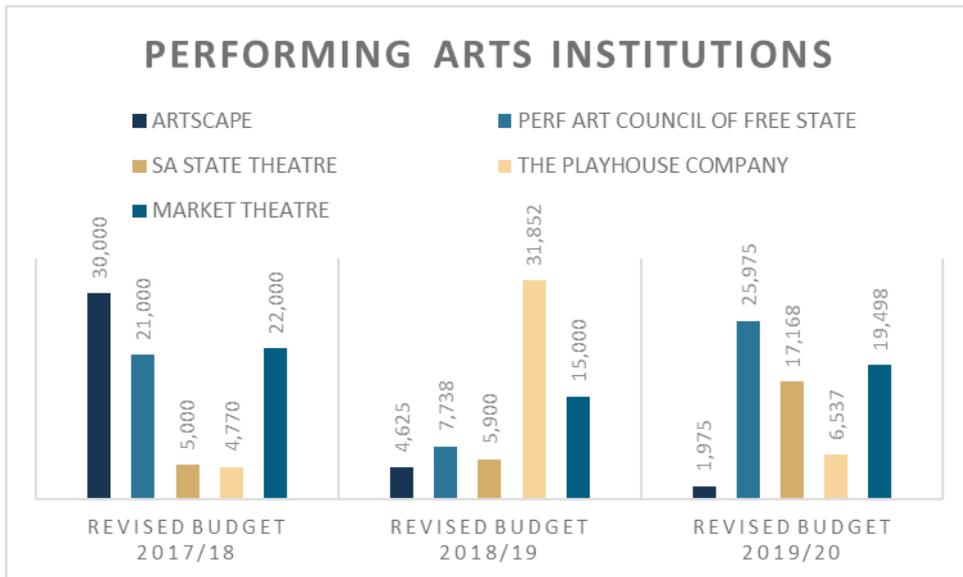
The bulk of the revised budget to Museums in 2017/18, was allocated to Iziko Museums (R68.5 million). In 2017/18, the majority of the budget allocation was to Robben Island (R43.3 million), Ditsong Museums R31.5 million and Iziko Museums (R20.2 million). In 2019/20, the bulk of the infrastructure allocation to public entities was RR86.6 million to KwaZulu-Natal, R34.8 million to Robben Island, and R17 million, R15.6 million and R16.4 million to War Museum, Ditsong Museum and Iziko Museums, respectively.

Figure 8: Revised budget allocation for Public Entities



In 2017/18, the bulk of the revised budget allocated was R31.9 million to the National Library of South Africa and R4.8 million to the South African Library for the Blind. In 2018/19, the Department only allocated R13.2 million to the National Film and Video Foundation and R1 million to National Arts Council. In the 2019/20 financial year, the bulk of the revised budget allocation was R20.9 million to National Film and Video Foundation, R20.4 million to National Heritage Council, and R11.3 million to the National Library of South Africa. The data indicates that there is not consistent budget allocation to the performing arts institutions as there are inconsistent spikes.

Figure 9: Revised budget allocation for Performing Arts Institutions



The budget allocation for performing arts institutions appears to be more stable when compared to other public entities. The bulk of the revised in 2017/18, was R30 million to Artscape, R22 million to the Market Theatre, and R21 million to the Performing Arts Council of Free State. The bulk of the spent in the 2018/19 financial year was R31.9 million to the Playhouse, R15 million to the Market Theatre, and R4.6 million, R7.7 million, R5.9 million to the Artscape, Performing Arts Council of Free State, and the State Theatre respectively. In the 2019/20 financial year, the bulk of the revised allocation was R26 million to the Performing Arts Council of Free State, R19.5 million to the Market Theatre, R17.2 million to the State Theatre and R6.5 million to the Playhouse.

Though the allocation of the revised budget to the performing arts institutions appears consistent, there is a need to point to the fact that the budget does gradually increase, but it fluctuates. Accordingly, there is no clear indication of whether the capital projects are commencing or concluding because of budget allocation keeps changes each year.

Quantum of Underspending

Figure 10: Departmental infrastructure underspending as a percentage of the revised budget

Departmental Infrastructure	Type	% Underspending (Revised budget vs variance)		
		2017/18-2019/20		
ISIBHUBHU CULTURAL ARENA	Cultural Precinct	100.0%	100.0%	100.0%
CHIEF TYALI	Heritage Centre	0	100.0%	0
NATIONAL ARCHIVES	HVAC	100.0%	0	100.0%
DR JL DUBE MEMORIAL	Interpretative Centre	0	0	0
JL DUBE HOUSE	Interpretative Centre	100.0%	100.0%	100.0%
OR TAMBO MEMORIAL	Interpretative Centre	85.0%	85.6%	17.8%
OLD LIBRARY	library	-15.7%	0	0
DELVILLE WOOD	Museum	100.0%	100.0%	0
DRAKENSTEIN CORRECTIONAL FACILITY	Museum	100.0%	0	0
INGQUZA HILL MUSEUM	Museum	61.6%	100.0%	0
KHANANDA HILL MEMORIAL	Museum	0	0	0
LIBERATION HERITAGE ROUTE	Museum	100.0%	100.0%	0
SARAH BAARTMAN CENTRE	Museum	75.8%	71.2%	51.0%
ARCHIE GUMEDE PLACE	Statue	0	100.0%	0
Isandlwana (Statue of King Cetshwayo)	Statue	100.0%	100.0%	0
GUMTREE MILL	Unclassified	100.0%	100.0%	0
TOTAL		80.1%	89.3%	74.1%

The underspending trend shown in figure 10 indicates that the Department of Sports, Arts and Culture spent 89.3 per cent of the revised budget in 2018/19 than in the other two years. In the 2017/18 and 2018/19 financial years, underspending was very high, as all the capital projects with a budget in those two financial years underspent by more than 80 per cent of their revised budget. In 2019/20, underspending slightly declined to 74.1 per cent from 89.3 per cent in the previous year. The slight improvement in the expenditure per se is not an improvement in spending is somewhat a consequence of budget reductions effected against capital transfer and projects.

In 2017/18 and 2018/19, there is less than impressive spending trend due to slow spending on infrastructure projects attributable to the non-submission of reports by IDT, as well as, unrealistic cash flow projections by DPWI. This was caused by the delays in the approval process and the signing of infrastructure documents.

Even after revising its capital budgets, the Department still underspent on its capital funds. The persistent underspending may show that there could be gaps in the Infrastructure Development Policy of the Department, which may be exploited by the public entities and IDT. The high underspending points to the fact that the challenges related to infrastructure projects are not project-specific. Instead, they are systemic. In other words, the problems arise from a lack of systems and processes to manage infrastructure.

Figure 11: Capital transfer to public entities as a percentage of the revised budget

Public Entities Infrastructure (Capital Transfers)	Type	% Underspending (Revised and variance)		
		2017/18	2018/19	2019/20
SOUTH AFRICAN HERIT RESOURC AGEN	Agency	-333%	0%	0%
National Arts Council	Council	0%	0%	0%
NATIONAL HERITAGE COUNCIL	Council	0%	0%	0%
NAT FILM&VIDEO FOUNDATION OF SA	Foundation	0%	100%	0%
NATIONAL LIBRARY OF SOUTH AFRICA	Library	60%	0%	0%
SA LIBRARY FOR THE BLIND	Library	100%	0%	-167%
Amazwi	Museum	62%	27%	0%
DIE AFRIKAANSE TAALMUSEUM	Museum	36%	0%	0%
DITSONG:MUSEUMS OF SOUTH AFRICA	Museum	0%	0%	0%
FREEDOM PARK TRUST	Museum	0%	0%	0%
IZIKO MUSEUMS OF CT	Museum	29%	-122%	27%
KWAZULU-NATAL MUSEUM	Museum	100%	-509%	6%
LUTHULI MUSEUM	Museum	40%	0%	0%
NAT MUSEUM BLFT	Museum	100%	0%	0%
NELSON MANDELA NATIONAL MUSEUM	Museum	65%	-839%	0%
ROBBEN ISLAND MUSEUM	Museum	1%	19%	0%
UMSUNDUZI MUSEUM	Museum	0%	0%	0%
WAR MUSEUM BOER REPUBLIC	Museum	0%	0%	0%
WILLIAM HUMPHREYS ART GALLERY	Museum	0%	0%	0%
ARTSCAPE	Performing Art Institution	45%	-257%	0%
MARKET THEATRE	Performing Art Institution	45%	90%	0%
PERF ART COUNCIL OF FREE STATE	Performing Art Institution	100%	0%	29%
SA STATE THEATRE	Performing Art Institution	0%	0%	0%
THE PLAYHOUSE COMPANY	Performing Art Institution	63%	0%	0%
TOTAL		41%	-31%	5%

Figure 11 shows that in 2017/18 41 per cent of the budget for capital transfers to public entities was not paid. In 2018/19, the capital transfer to public entities shows a negative spike (31 per cent) mainly because of high than normal capital transfers to Iziko Museums, KwaZulu-Natal Museum, Nelson Museum and William Humphrey after budget adjustments. In 2019/20, 5 per cent of the capital transfer to public entities was not paid, which indicates that the Department increased its capital transfer budget to public entities.

The fact that the Department was able to transfer 95 per cent of its capital budget to public entities in 2019/20 may appear as improvement in capital spending. However, the capital transfer does not translate to actual capital spending as it a movement of funds from the Department's books to the public entities' bank account.

6 Options

- There is a need to link public entities capital spending to broader performance outcomes of government for accountability purposes. Schedule 3A public entities' infrastructure spending and project failures have been under the radar for too long. This has allowed these institutions to erode the job creation potential of infrastructure projects. The Department of Sports, Arts and Culture could take a calculated risk by turning one of its institutions into a Heritage Infrastructure Agency to cater to the national need for heritage assets.
- Development of a departmental monitoring system that links public entities capital spending in real-time to the IDMS could assist budget analysts to make a more informed decision.
- The adoption of capital planning, budgeting and management tool could assist the Department to grant capital transfers to public entities based on performance-based by setting a milestone for each project.
- Fiscal dumping to public entities has become common practice in DSAC, and this has contributed to the slow progress of infrastructure projects. Numerous capital virement followed by capital transfers in the last quarter of each financial year is the central contributing factor to insufficient spending on infrastructure projects
- Approval for capital transfers to public entities ought to be stricter to prevent the exploitation clause 6.3.1 (a) of Treasury Regulation.
- The dismal performance and poor reporting of performance information show a trend of non-accountability on capital spending.

Potential savings:

- R300 million or 50 per cent over the MTEF for departmental infrastructure is eligible for savings.
- R250 million or 35 per cent, over the MTEF, for capital transfer to public entities is eligible for savings.

Limitation:

Spending data at the public entity level for capital projects and their progress is a limitation in this Spending Review.

7 Recommendations

- Capital transfers to public entities should be performance-based and be monitored by the National Treasury through the IDMS system.

- Make greater use of the Infrastructure Delivery Management System for public entities to improve their planning, budgeting, procurement, and delivery.
- The Department should seek to replace IDT as the primary contractor and level the playing field by allowing more competition of its capital project.
- The increase to infrastructure budgets should adopt a milestone-based approach to curb the poor spending trend on infrastructure projects.
- The SCOA reporting system should be introduced to public entities to ensure harmonisation of spending data at public entities and departmental level.

8 Actions

Short term action:

- The Independent Development Trust and DPWI should not have the right of first refusal for implementation of capital projects. The IDT should compete with other institutions to earn the right to be used as an implementing agent.
- Virements for capital projects should not be approved unless there are exceptional circumstances. This would improve the planning for infrastructure projects.
- DSAC should have at least one ENE performance indicator for capital budgets which speaks to its infrastructure projects.

Medium-term action:

- The CPI increase in infrastructure budget has no basis in infrastructure projects. It is based on an incremental approach that promotes poor capital spending for poor-performing institutions by rewarding them with increments each year. A more evidence-based approach should replace the incrementalism in the determining capital budget.

Long term action:

- New infrastructure projects should only be funded once they are registered on the IDMS system after going through a proper development/appraisal process.

DISCLAIMER: This document is not for quoting or circulation. It was done as part of the NT training exercise on the spending review methodology and is intended for discussion purposes. Further, there were serious data limitations and both the appropriate level of information, and its correctness could not be independently verified.