

National Treasury Spending Reviews

Review of expenditure on Corporate Services



National Treasury
REPUBLIC OF SOUTH AFRICA

- **Issue 1:**

There is a growing body of legislation, regulation and instructions that require each department to put in place capacity and measures to manage specific issues such as SCM, internal audit, risk management, disposal of assets, access to information, language policy, gender, transport, etc.

- **Issue 2:**

Despite recent cuts to administrative budgets, departments continue to spend on items and activities that are not directly related to service delivery, such as events, communication, websites, international travel, wellness, etc.



Research questions:

Do Issues 1 and 2 result in:

- top heavy corporate services spending across government?
- smaller departments and entities not achieving the economies of scale needed to justify the high levels of required corporate services spending?
- funds being wasted on non-service delivery related spending?

This spending review begins to explore expenditure on Corporate Services

The nature of corporate service type expenditures



General overheads

Programme overheads

Direct programme costs

EXAMPLE



Introduction

- Expenditure on corporate services was extracted from 2017/18 to 2019/20 expenditure date, and grouped as follows:
 - Buildings and facilities
 - Communication, marketing and events
 - Consumables
 - Financial Management
 - Other corporate services
 - Human Resource Management
 - Information Technology
 - Leadership and Management
 - Legal services
 - Policy Planning and Research
 - Security
 - Travel and transport

- Presentation explores corporate services expenditure per department to outline the high level information available

- All graphs and tables are in R '000

Note “Other Corporate Services” includes items that could not be allocated to one of the other categories. It consists mainly of salaries for administrative staff that do not fall into one of the other categories.



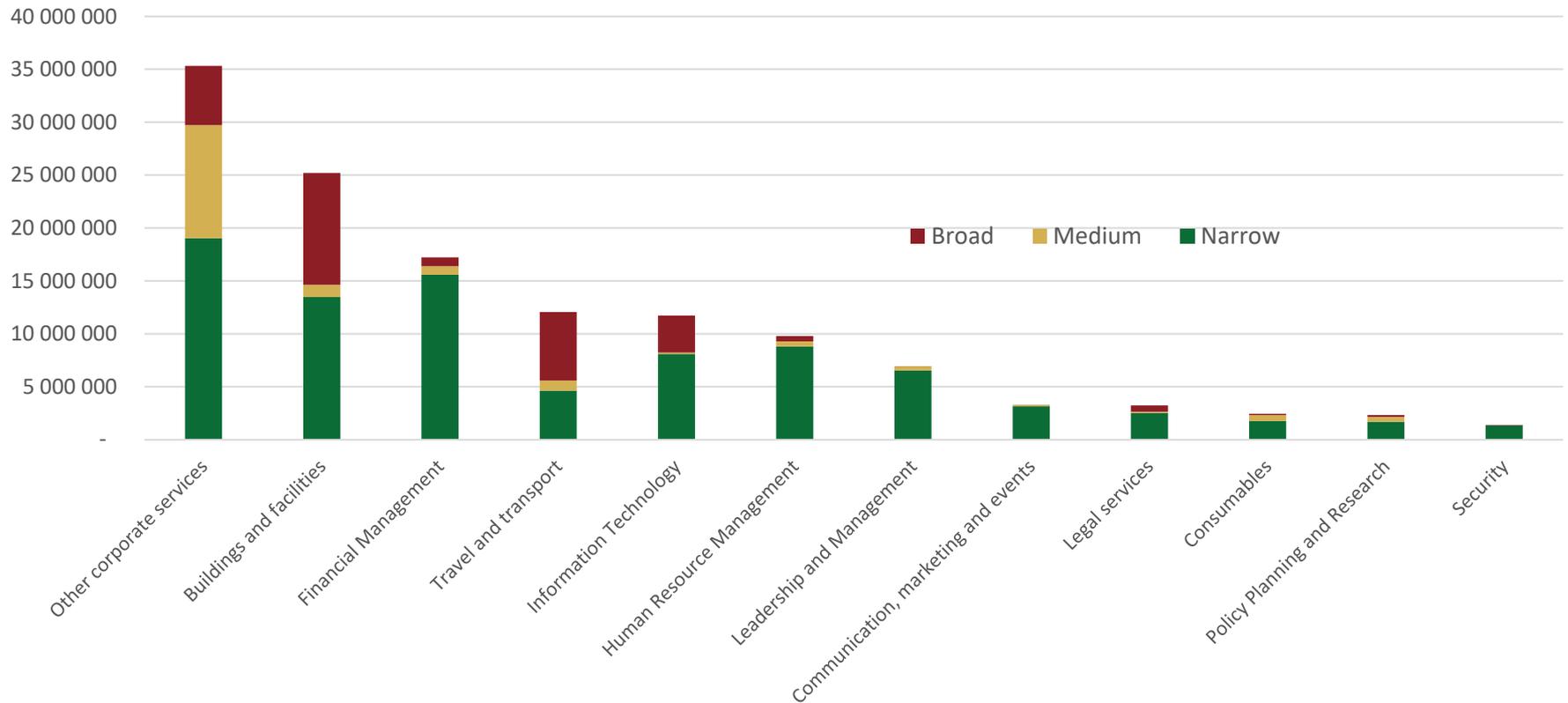
Identifying spending on corporate service

- Spending on corporate services was identified using three tiers

Definition	Explanation	Total cumulative expenditure 2019/20
Narrow	All Administration programme expenditure excluding service delivery subprogrammes and items that can be linked to services delivery	86,624,552
Medium	Narrow plus additional subprogrammes that cover Admin/ management support within service delivery programmes	102,515,517
Broad	Medium plus spending items that are always regarded as being part of corporate services (such as bank charges, cleaning services, fleet services, etc.)	130,917,074

Identifying spending on corporate service

- The incremental spend that was added to each category is shown below



Defining “managed government expenditure”

- **Managed government expenditure** is the expenditure that national and provincial departments are directly responsible for managing. It excludes:
 - repayment of sovereign debt (financial assets)
 - expenditure by Parliament and provincial legislatures
 - salaries of the judiciary
 - transfers to constitutional institutions (local and provincial government),
 - transfers to international organisations and foreign governments
 - transfers to public entities, state owned enterprises
 - transfers to higher education and training institutions
 - transfers to NPIs

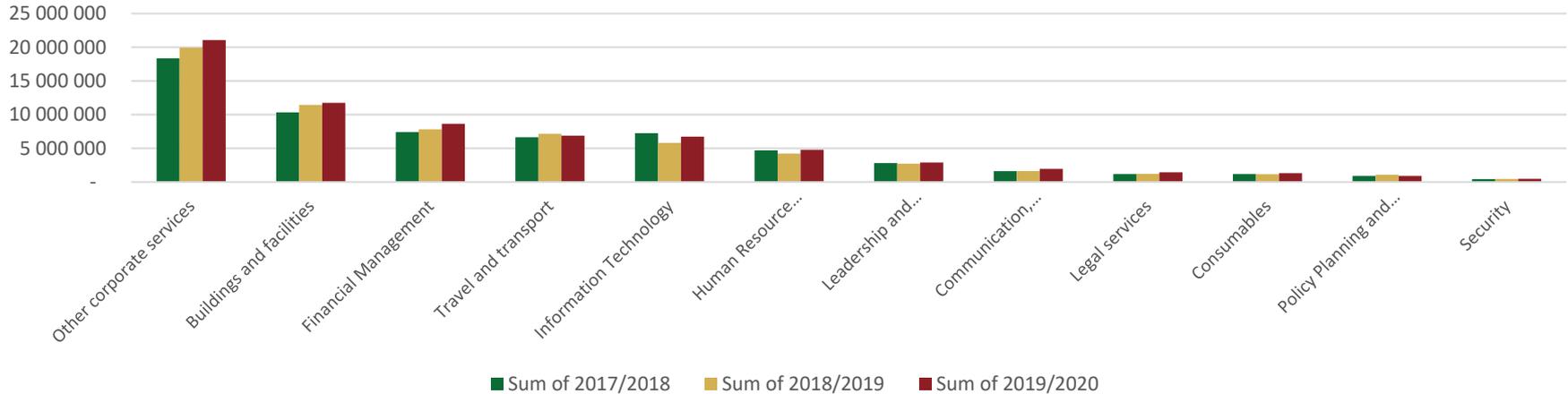
- Government simply transfers these funds to another organisation that then manages the actual expenditures

	2017/18	2018/19	2019/20	
Managed government expenditure	765,917,895	812,095,009	861,290,661	
EXCLUDED ITEMS				
Payments for financial assets i.e. repayment of debt	18,722,306	14,263,654	64,579,897	3.1%
Parliament and provincial legislatures	1,220,107	1,150,867	584,950	0.0
Provincial and local governments	653,161,362	694,094,499	740,162,045	35%
Transfers to foreign governments and organisations	1,970,440	2,345,735	2,455,931	0.1%
Transfers to public, private and government agencies	155,734,469	172,136,991	191,810,347	9.1%
Transfers to higher education and training institutions	31,592,188	36,917,071	42,361,629	2.0%
Transfers to NPIs	11,130,800	11,593,250	12,490,557	0.6%
Total government expenditure	1,794,800,745	1,912,122,336	2,110,995,881	59.2%

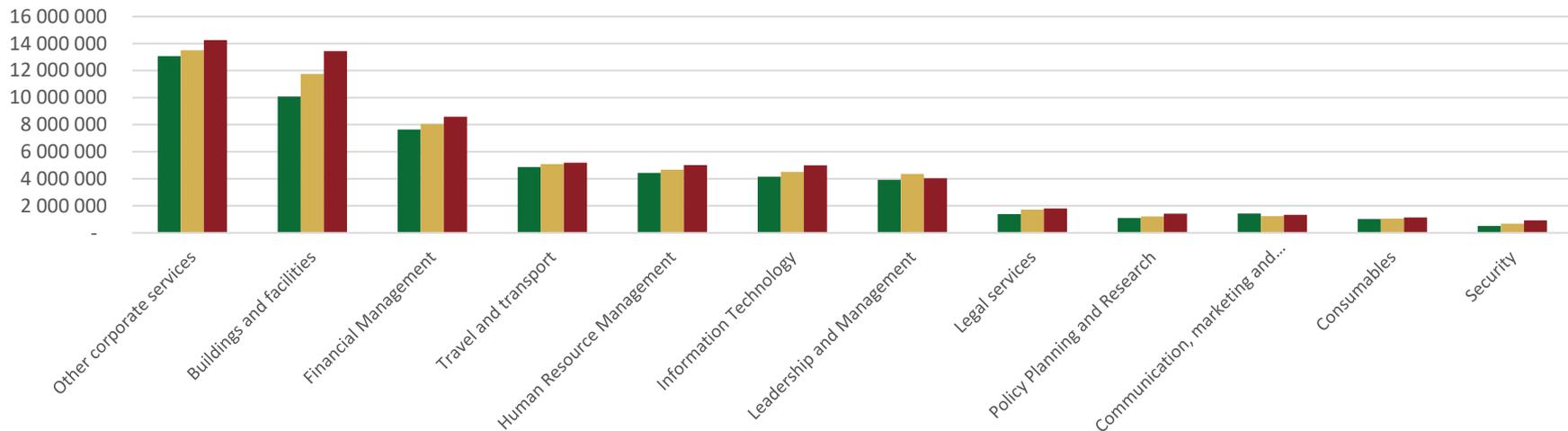
Corporate services spending trends - broad definition

- National and Provincial departments have a similar corporate spending pattern - Building & Facilities, Financial management and Travel & Transport are the highest expenditure categories across all of government
- There is a strong increase in expenditure on Legal services across all of government outlined in more detailed in next slide
- Provinces show a strong growth in Security expenditure; National shows a strong growth in Communication expenditure outlined in more detailed in next slide

National

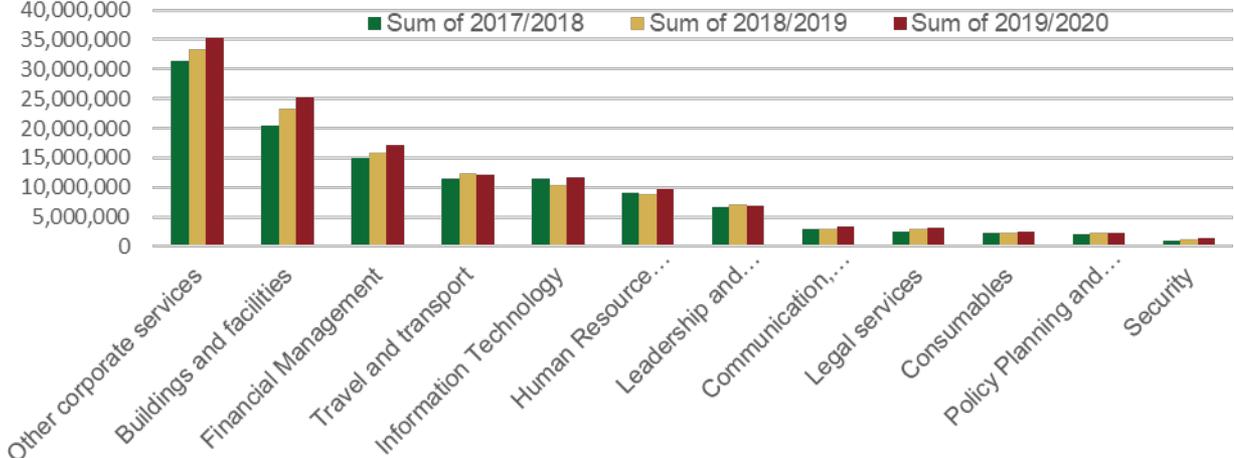


Provincial



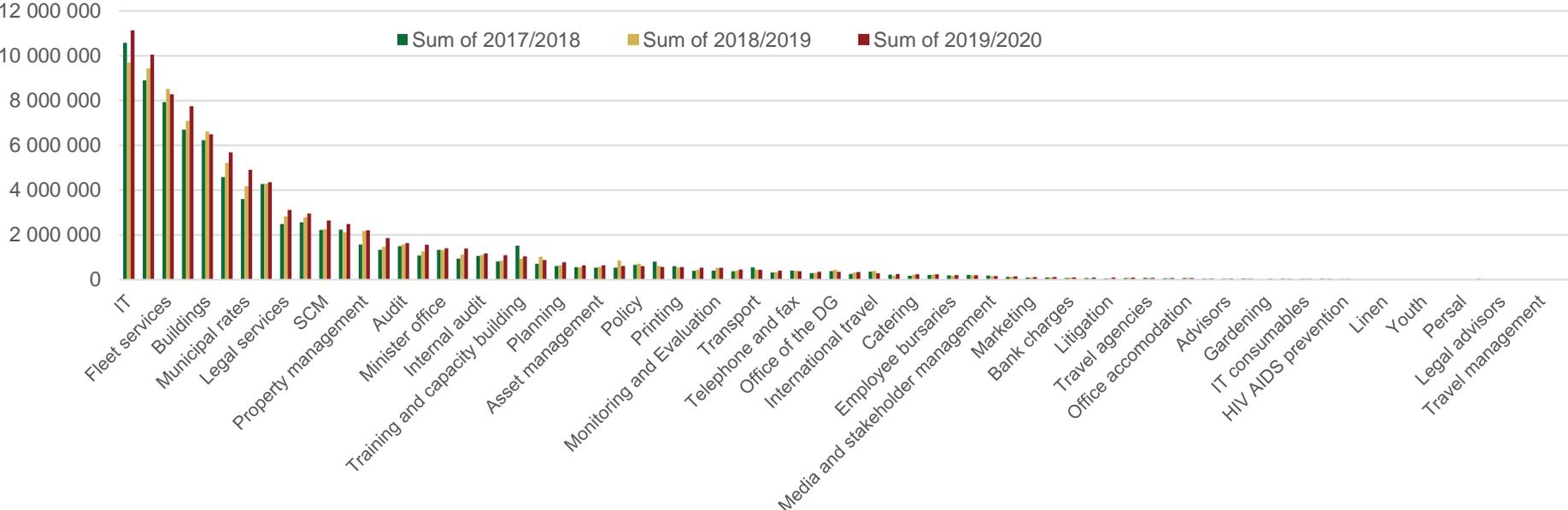
Detail of corporate services expenditure (broad definition)

Corporate services categories



- Audit fees contribute significantly (10%) to the spend in Financial management category
- Training and development makes up a high a portion (11%) of corporate services in the HR category

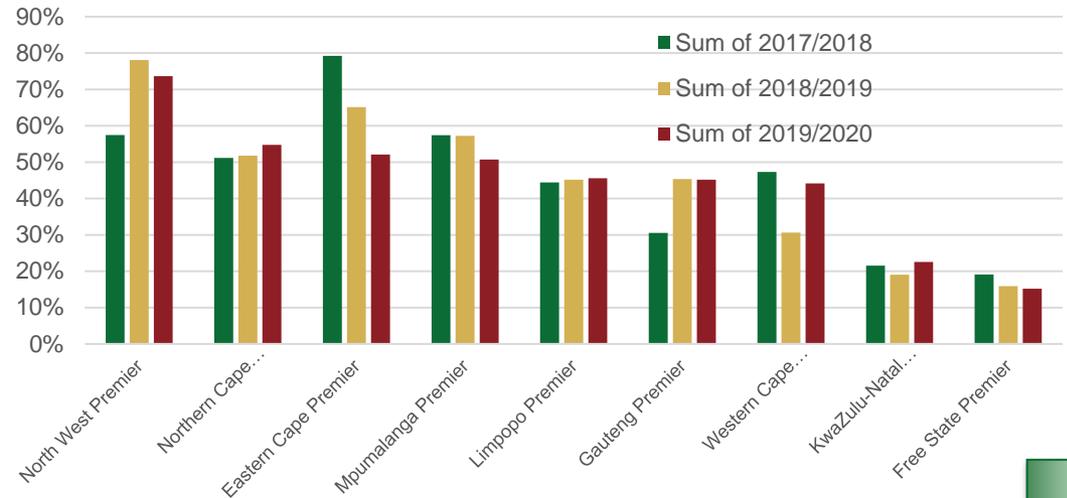
Corporate services sub-categories



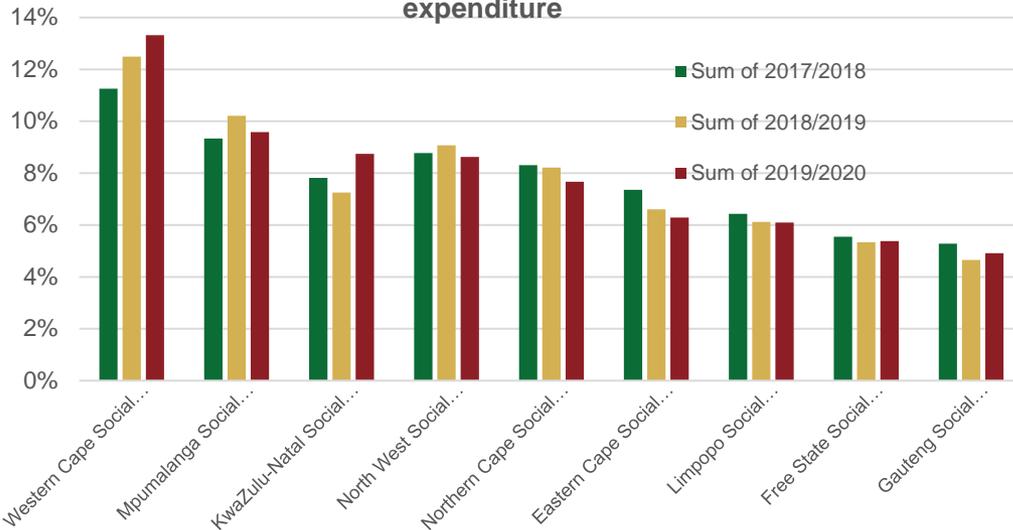
Comparison of provincial departments spend as % of managed expenditure

- The North West Premier's office had the highest ratio of spend out of managed government expenditure. Corporate services made up 74% of managed expenditure in 2019/20
- This seems to stem mostly from expenditure in policy, planning and research and well as It
- Western Cape social development departments had the highest spend out of managed government expenditure.
- Corporate services made up 61% of managed expenditure in 2019/20

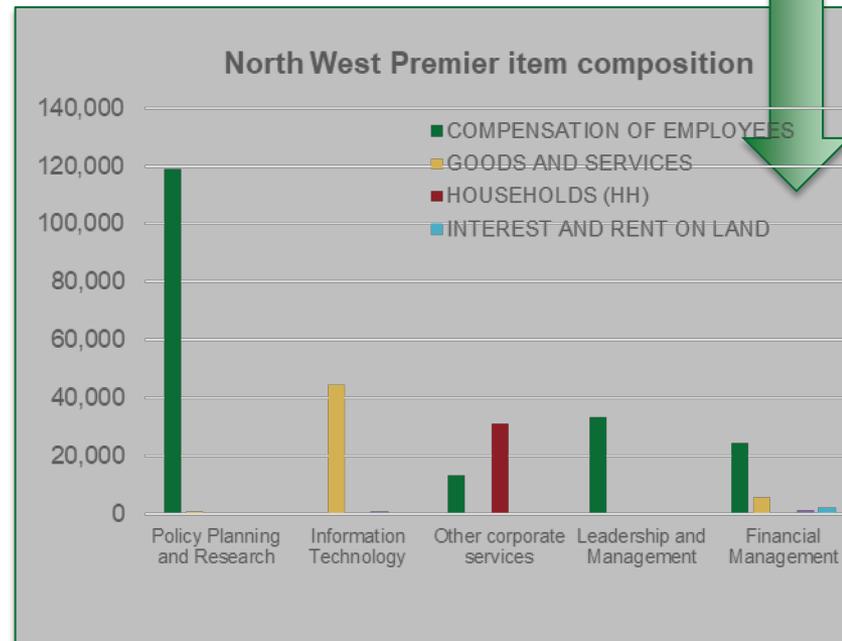
Premier offices % out of managed government expenditure



Social development % out of managed government expenditure



North West Premier item composition



Closing remarks

- The concluding remarks are :
 - Overall corporate services amounts to R130 bill according to the board definition category.
 - On average, provincial departments corporate services make up 31% of managed expenditure – if 10% is cut on corporate services expenditure for those departments spending more than 31% a saving of R 1.9 bill could be made
 - On average national departments spend 44% of their managed expenditure on Corporate services – if 10% is cut on corporate services expenditure for those departments spending more than 44% a saving of R 1.46 bill could be made
 - If the provincial ratios are brought in line with the median (28%) a saving of R 29 bill can be made
 - If the national ratios are brought in line with the median (45%), a saving of R 17 bill can be made

Closing remarks

- The limitations of this study include:
 - Corporate services is not outlined as a clear expenditure category and not well defined - a logical approach was followed to extract data in certain responsibility and item level fields that constitute Corporate services. The details are set out in the Methodology sheet that can be made available.
 - It is noted that this exercise was done on a systematic manual extraction method (using fields such as responsibility, programme, subprogramme and item level fields from the BAS data base) to extract expenditure that relates to corporate services
 - Departments don't classify expenditure in a uniform way making the classifications somewhat subjective
 - Names of departments are also not standardized making comparisons between similar departments difficult (for example Eastern Cape has a Public works department whilst Free State is named Public works and Infrastructure and Mpumalanga is named Public Works and Transport).

Question for discussion

- **Topic:** How do we improve the reliability and usefulness of expenditure data on corporate services by government?
- **Question 1** – What do we need to change?
- **Question 2** – Who do we need to talk to?
- **Question 3** – What will you say in the memorandum that you need to write?



THANK YOU

