2021

Your Heritage, Our Culture - Streamlining and Strengthening of Heritage Management Institutions

STUDENT NAME: NKOSANA MPAFA

CLUSTER: EDUCATION AND OTHER RELATED DEPARTMENTS

NATIONAL TREASURY

SAVINGS@WORK
GOVERNMENT SPENDING REVIEWS

Key points

- The South African Heritage Resource Agency (SAHRA) and the National Heritage Council (NHC) are charged with the protection and preservation of South Africa's rich history and heritage.

- While SAHRA's mandate is to identify, protect and regulate South Africa's heritage resources, the NHC's responsibility is to advise on policy, promote awareness and educate people about the country's heritage.

- While the mandates of these two institutions are distinct in that they operate at different segments of the heritage resource management, they perform complementary functions. This raises the questions of whether there are potential efficiency gains from merging these institutions into a single institution.

- The spending review used expenditure data for the period 2016/17 to 2019/20 for both institutions SAHRA and NHC. From the expenditure analysis it was discovered that on the years under review SAHRA spent R343 million and NHC R253 million.

- The expenditure analysis also discovered that more than 50 percent of the expenditure in both entities was on corporate services and executive management costs.

- The expenditure analysis also discovered that less than 50 percent of Compensation of employee's expenditure was on core programmes for both entities, over 50 percent of the expenditure was on supporting programmes.

- The report recommends a merger of the two entities. From the merger an estimated R100 million saving over the MTEF can be realised. Not only will be merger realise savings but will result in a strengthened heritage management sector and an improved delivery of services.

Executive Summary

Background

The Department of Sports, Arts and Culture's (DSAC) mandate is to preserve, protect and promote South Africa's heritage which contributes to building a national identity and achieving social transformation. Much of the department's mandate is executed through public entities. This spending review examines the possible savings from merging two of the department's public entities - The South African Heritage Resources Agency (SAHRA) and the National Heritage Council (NHC).

The SAHRA is a statutory organisation established under the National Heritage Resources Act, No 25 of 1999, as the national administrative body responsible for the protection of South Africa's cultural heritage. SAHRA, as an manages and implements the National Heritage Resources Act (NHRA) of 1999.

The Agency's main functions include:
- Identifying, conserving, and managing heritage resources in South Africa so that they can contribute to socio-economic development and nation-building.
- Developing norms, standards, and charters for the management of heritage resources in South Africa; and
- Contributing to skills development and knowledge production and transformation in heritage resources management in South Africa and beyond.

Likewise, the NHC is a statutory body that is responsible for the preservation of the country's heritage. The Council's functions are to:
- Develop policy for the sector to meet its transformation goals,
- Promote public awareness and education the public about South Africa's heritage,
- Produce knowledge products and document heritage information on heritage sites and events that were previously neglected, and
- Make funding available to projects that place heritage as a socio-economic resource.

While the mandates of these two institutions are distinct in that they operate at different segments of the heritage resource management, they also perform a set of complementary and overlapping functions. These include:
- the co-ordination and management of the national heritage resources.
- the co-ordination of heritage institutions.
- the formulation and technical advisory on national heritage policies.

- responsibility for project funding and support.
- the promotion of heritage awareness and education.
-

Purpose of this spending review

This spending review examines the possible savings and efficiency gains from merging the South African Heritage Resources Agency (SAHRA) and the National Heritage Council (NHC) – two agencies of the Agency of the Department of Sport, Arts and Culture (DSAC).

Institutional analysis

In this section of the spending review non-financial data like performance information and legislative information from various legislative acts.

The legislative and performance information was used to determine the functions, duties and objectives of both the entities. The analysis of the legislation revealed the following:

- National Heritage Council Act (1999) creates for an establishment of a juristic institution to be known as the National Heritage Council; to determine its objects, functions, and method of work; to prescribe the manner in which it is to be managed and governed and to regulate its staff matters and financial affairs.

- National Heritage Resources Act 25 of (1999) creates for an establishment of the South African Heritage Resources Agency together with its Council to co-ordinate and promote the management of heritage resources at national level; to introduce an integrated and interactive system for the management of the national heritage resources; to promote good government at all levels, and empower civil society to nurture and conserve their heritage resources so that they may be bequeathed to future generations.

Although the mandates are not entirely similar, SAHRA focuses in managing and regulating local heritage resources while the NHC focuses on heritage assets abroad. The analysis also revealed that there is a number of overlapping and/or complementary functions and duties between the entities, such as providing policy advice to the Department and related sector stakeholders, marketing, awareness, and education of heritage assets and protecting and promoting South Africa's heritage and history.

From the organograms it was noted that the two entity's have a bigger support structure on the organisational structure. This is proof that both the entities allocates more resources on

support service structure than on the core programmes that perform the core functions and core mandates of the entities

Expenditure analysis

The table shows the income and expenditure as both institutions.

	2017	2018	2019	2020
NHC income	R 72 597 077	R 70 428 621	R 66 925 169	R 63 457 825
NHC expenditure	R 54 915 422	R 60 176 186	R 63 965 987	R 73 747 848
SAHRA income	R 56 072 077	R 64 224 267	R 74 946 045	R 64 830 683
SAHRA expenditure	R 75 360 345	R 83 512 655	R 87 312 376	R 96 846 756

The total expenditure and income of the two entities under review. From the data noted that in the years under review SAHRA spent R343 million, whilst NHC spent R253 million. The total expenditure of the two entities combined amounted to R596 million. Whilst the income of SAHRA was R261 million and NHC's income being R274 million.

From the analysis It was recorded that the entities expenses are above its incomes. More than 50 percent of the expenses are accounted by corporate services and executive management costs. This is also represented by the bigger support service structure in the organisational structure. Both the entities allocate most of their resources on the support service function than their core functions.

The review considers all services that do not perform core deliverables of the entity under Corporate services. This is in exception to the costs relating to executive management (CEO, CFO and council costs).

The report recommended that the two entities need to be merged. From the merged entity a significant saving which is approximately over R100 million can be made over the MTEF. The saving will be made from the streamlining and consolidating corporate and executive management costs.

A merger of these two institutions could bring many benefits. First, it would eliminate and minimise duplication in the overlapping functions such as public awareness and education. Second, a merger will lead to savings on corporate services and management costs. Finally,

a merger between SAHRA and the NHC will create a single entity responsible for the heritage management across the entire heritage management value chain. This would improve coordination in the sector.

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

CONTENTS

1. Introduction

▊Background

The Department of Sport, Arts and Culture (DSAC) is mandated to promote, preserve, develop, and advance arts, culture and heritage for the benefit of all South Africans. The Revised White Paper on Arts, Culture and Heritage (2017) outlines the importance of this sector in the development of the country. It states that "given that every society is a social, political, economic and cultural construct that maintains and renews itself by drawing on its creative and innovative store of cultural and heritage resources, the remaking of South Africa into a just and inclusive society cannot be accomplished without drawing on the creative, cultural and heritage resources of all our people"[1].

The definition of heritage in this review is adopted from the International Museums Council, which is "the sum total of wildlife and scenic parks, sites of scientific or historic importance, national monuments, historic buildings, works of art, literature and music, oral traditions and museum collections together with their documentation".

The national heritage system in South Africa consists of museums, monuments, heritage sites and resources, geographical place names, heraldry and national symbols, archives and public records, and libraries and information services. It is made up of tangible and intangible heritage resources as well as living culture in the form of cultural traditions, customs, oral history, performance, ritual, popular memory, social mores and knowledge of nature and diverse natural resources.

The Department of Sport, Arts and Culture exercises its legislative powers to implement the heritage sector mandates through two public entities: National Heritage Council (NHC) and the South African Heritage Resources Agency (SAHRA) with the responsibility of the identification, collection, safeguarding, promotion, and transformation of the South African heritage sector.

The two entities was founded though two different legislative acts. This was done to separate the mandates and allow the two entities to focus on broadly on the heritage sector. However, this has caused a situation of two canters of power. In which the sector was not streamlined.

Because the two institutions are tasked with a complementary and similar responsibilities, this presents a strong case for merging these two institutions. This review seeks to identify and eliminate these overlaps by streamlining, consolidating, and strengthening the two institutions with a view of a possible merger of these two institutions.

In consolidating the heritage sector institutions for greater integration and coordination, the specialised functions, infrastructure, management, and personnel must be retained (except

---

[1] Department of Arts and Culture, South Africa, 2017. Revised whitepaper on arts, culture, and heritage.

for some support staff due to duplication). The revised White Paper on Arts, Culture and Heritage supports the creation of a single entity to function as the coordinating umbrella body for National Museums; Monuments, Heritage Sites and Resources; Geographical Place Names, Heraldry and National Symbols; Archives and Public Records, Libraries, and Information Services as distinct but interrelated heritage sectors.

Purpose of spending review

The main objective of this review is to reduce potential overlaps between the NHC and SAHRA to allow for greater integration, consolidation, coherence, optimal functioning, and effective delivery of heritage management.

2. Policy and Institutional Information

Relevant legislation

There are several pieces of legislation that influence how government manages heritage and cultural resources in South Africa. These include:

- **Culture Promotion Act 35 of 1983**
  To provide for the preservation, development, fostering and extension of culture in the Republic by planning, organizing, co-ordinating and providing facilities for the utilization of leisure and for non-formal education; for the development and promotion of cultural relations with other countries.
- **Cultural Institutions Act 119 of 1998**
  To provide for the payment of subsidies to certain cultural institutions; to provide for the establishment of certain institutions as declared cultural institutions under the control of councils; to establish a National Museums Division; and to provide for matters connected therewith.
- **National Heritage Council Act 11 of 1999**
  To establish a juristic institution to be known as the National Heritage Council; to determine its objects, functions and method of work; to prescribe the manner in which it is to be managed and governed and to regulate its staff matters and financial affairs.
- **National Heritage Resources Act 25 of 1999**
  To establish the South African Heritage Resources Agency together with its Council to co-ordinate and promote the management of heritage resources at national level; to introduce an integrated and interactive system for the management of the national heritage resources; to promote good government at all levels, and empower civil society to nurture and conserve their heritage resources so that they may be bequeathed to future generations; to lay down general principles for governing heritage resources management throughout the Republic, and to introduce an integrated system for the identification, assessment and management of the heritage resources of South Africa;

Department of Arts and Culture white paper on Arts, Culture and Heritage,1996

The 1996 White Paper on Arts, Culture and Heritage,1996 set out to reconstruct and decolonise heritage resources and management based on the diverse heritage of all people and cultures in South African society. Although the White Paper conceptualised an alternative heritage dispensation for a non-racial society as envisaged by the Constitution the new policy, however, was not implemented as set out in the 1996 White Paper.

To give effect to the Constitution, the Draft National Heritage Bill of 1997 sought to "introduce an integrated and interactive system for the management of the national heritage, in harmony with the traditions of African humanism and holism". The Draft Heritage Act was later changed to become The National Heritage Resources Act which replaced the old National Monuments Act. Archives are dealt with in the National Archives Act of 1996. To date, no legislation has been devised and tabled for National Museums apart from the Declared Cultural Institutions Act (1997).

The effect of these different pieces of legislation led to an outdated, fragmented and uncoordinated system with gaps, overlaps and duplications, particularly between the Heritage Resources Agency, and the work of the National Heritage Council.

Analysis of objectives and functions

This section outlines, compares and contrasts the legislated functions of the NHC and SAHRA. It situates these institutions within the heritage resource management value chain.

2.2.1. Objectives of the NHC

According to the National Heritage Council Act 1999, the objectives of the NHC are:
- to develop, promote and protect the national heritage for present and future generations;
- to co-ordinate heritage management;
- to protect, preserve and promote the content and heritage which reside in orature in order to make it accessible and dynamic;
- to integrate living heritage with the functions and activities of the Council and all other heritage authorities and institutions at national, provincial and local level;
- to promote and protect indigenous knowledge systems, including but not limited to enterprise and industry, social upliftment, institutional framework and liberatory processes; and
- to intensify support for the promotion of the history and culture of all our peoples and particularly to support research and publication on enslavement in South Africa.

2.2.2. Functions and duties of the NHC

To realise these objectives, the Act sets out of the functions of the entity:
- advise the Minister on national policies on heritage matters, including indigenous knowledge systems, living treasures, restitution and other relevant matters; and any other matter concerning heritage which the Minister may from time to time determine;
- advise the Minister on the allocation of core funding to declared cultural institutions;

- investigate ways and means of effecting the repatriation of South African heritage objects presently being held by foreign governments, public and private institutions and individuals;
- make grants to any person, organisation or institution in order to promote and develop national heritage activities and resources;
- co-ordinate the activities of public institutions involved in heritage management in an integrated manner to ensure optimum use of state resources;
- monitor and co-ordinate the transformation of the heritage sector, with special emphasis on the development of living heritage projects;
- consult and liaise with relevant stakeholders on heritage matters;
- generally support, nurture and develop access to institutions and programmes that promote and bring equity to heritage management;
- promote an awareness of the history of all our peoples, including the history of enslavement in South Africa;
- lobby to secure funding for heritage management and to create a greater public awareness of the importance of our nation's heritage; and
- perform such duties in respect of its objects as the Minister may assign to it.

In terms of the Act, the Council may on its own initiative advise the Minister on any matter concerning heritage.

2.2.3. Objectives of the SAHRA

The National Heritage Resources Act (1999) defines the national estate as "those heritage resources of South Africa which are of cultural significance or other special value for the present community and for future generations must be considered part of the national estate and fall within the sphere of operations of heritage resources authorities." SAHRA is responsible for the identification and management of the national estate.

The national estate may include:
- places, buildings, structures and equipment of cultural significance;
- places to which oral traditions are attached or which are associated with living heritage; historical settlements and townscapes; landscapes and natural features of cultural significance;
- geological sites of scientific or cultural importance; archaeological and palaeontological sites;
- graves and burial grounds (*ancestral graves; royal graves and graves of traditional leaders; graves of victims of conflict; graves of individuals designated by the Minister by notice in the Gazette; historical graves and cemeteries; and other human remains which are not covered in terms of the Human Tissue Act, 1983 (Act No. 65 of 1983); sites of significance relating to the history of slavery in South Africa*);
- movable objects (objects recovered from the soil or waters of South Africa, including archaeological and palaeontological objects and material, meteorites and rare geological

specimens; objects to which oral traditions are attached or which are associated with living heritage; ethnographic art and objects; military objects; objects of decorative or fine art; objects of scientific or technological interest; and books, records, documents, photographic positives and negatives, graphic, film or video material or sound recordings, excluding those that are public records as defined in section 1(xiv) of the National Archives of South Africa Act, 1996 (Act No. 43 of 1996).

2.2.4. Functions of SAHRA

The general functions of SAHRA are to—

- establish national principles, standards and policy for the identification, recording and management of the national estate in terms of which heritage resources authorities and other relevant bodies must function with respect to South African heritage resources;
- co-ordinate the management of the national estate by all agencies of the State and other bodies and monitor their activities to ensure that they comply with national principles, standards and policy for heritage resources management;
- identify, record and manage nationally significant heritage resources and keep permanent records of such work;
- advise, assist and provide professional expertise to any authority responsible for the management of the national estate at provincial or local level, and assist any other body concerned with heritage resources management;
- promote and encourage public understanding and enjoyment of the national estate and public interest and involvement in the identification, assessment, recording and management of heritage resources;
- promote education and training in fields related to the management of the national estate; and
- perform any other functions assigned to it by this Act or as directed by the Minister.

Identification of complementary functions

Based on the legislative functions for SAHRA and the NHC, it is possible to identify complementary and overlapping between these two institutions:

- the co-ordination and management of the national heritage resources;
- the co-ordination of heritage institutions;
- the formulation and technical advisory on national heritage policies;
- responsibility for project funding and support; and
- the promotion of heritage awareness and education.

3. Organograms and delivery processes

1.1 Governance and reporting arrangements

Figure 1 shows the reporting and governance arrangement of of the two entities - SAHRA and NHC. The CEO of both entities, who is responsible for the implementation and delivery of the entity programmes, reports to the entity council. The council which is the accounting authority

is responsible for providing control, management and direction to the entity. The councils report to the Minister of Sport, Arts and Culture.

Both the councils of SAHRA and NHC consists of member representatives. For NHC, the council consists of at least five public members, appointed by the Minister, a representative of each province to be nominated by the MEC concerned; and the chairpersons of each of the Council of the South African Heritage Resources Agency; the National Archives Commission; the Heraldry Council; the Board of the National Library; the Council of the Northern Flagship Institution; the Council of the Southern Flagship Institution, and/or any other body or institution the Minister considers relevant.

For SAHRA, the council consists of at least nine but not more than 15 members appointed by the Minister in the prescribed manner, of which nine members must respectively represent each of the provinces of South Africa and the chief executive officer of SAHRA.

Figure 1: Reporting Chain
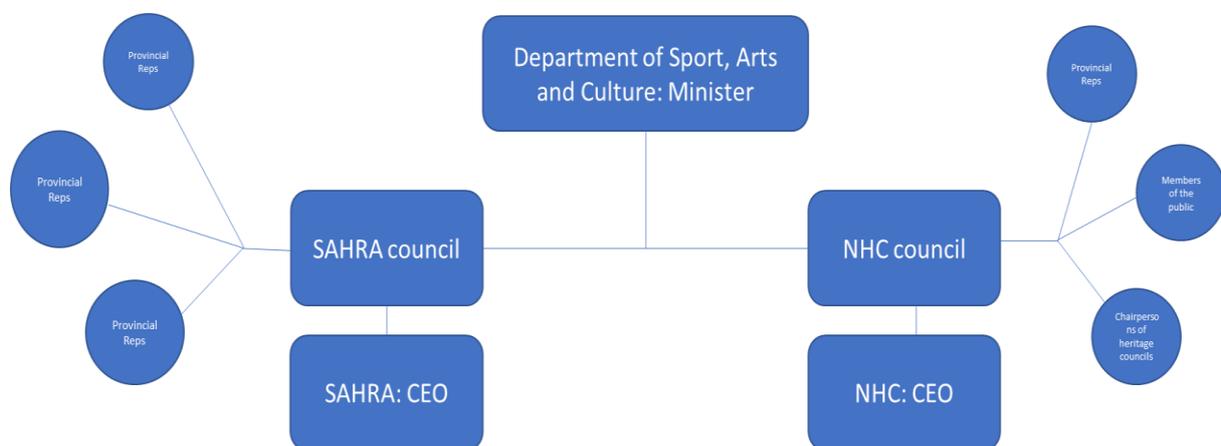
Source: Own work

Organograms

Figure 2 and 3 show the organograms of the two institutions under review. Based on an analysis, over the organograms, it is apparent that:

- SAHRA and the NHC perform complementary functions. Whereas the NHC is responsible for policy advice, education, and awareness, SAHRA also provides input into policy making, sets standards for heritage management and manages heritage resources. The NHC is also responsible for the management of the Liberation Heritage Route, which is a national programme that commemorates the country's journey to democracy. This project involves managing local, provincial, and international heritage resources connected to the liberation movement. While SAHRC and the NHC perform different function, it is apparent that there are some overlaps in the policy making, education and awareness functions. In addition, both institutions are involved in the management of local heritage resources – the NHC through its Liberation Heritage Route programme, and SAHRA through its Heritage Conversation programme.

- Both institutions have established corporate services functions to support the delivery of their core mandates. There is a possibility that a single entity could save on these functions.
- Figure 3, shows the two organograms without the core programmes. From the figure we can note that the two entity's have a bigger support structure on organisational structure. This is proof that both the entities allocates more resources on support service structure than on the core programmes that perform the core functions and core mandates of the entities.
- Both the entities are headed by a single accounting authority, which is the representative council. The director of operations in the entities being the CEO. Who oversee all day to day operations on the entity.

Figure 2: Organograms with core programmes

National Heritage Council

South African Heritage Resources Agency

Figure 3: Organogram without core programmes

National Heritage Council
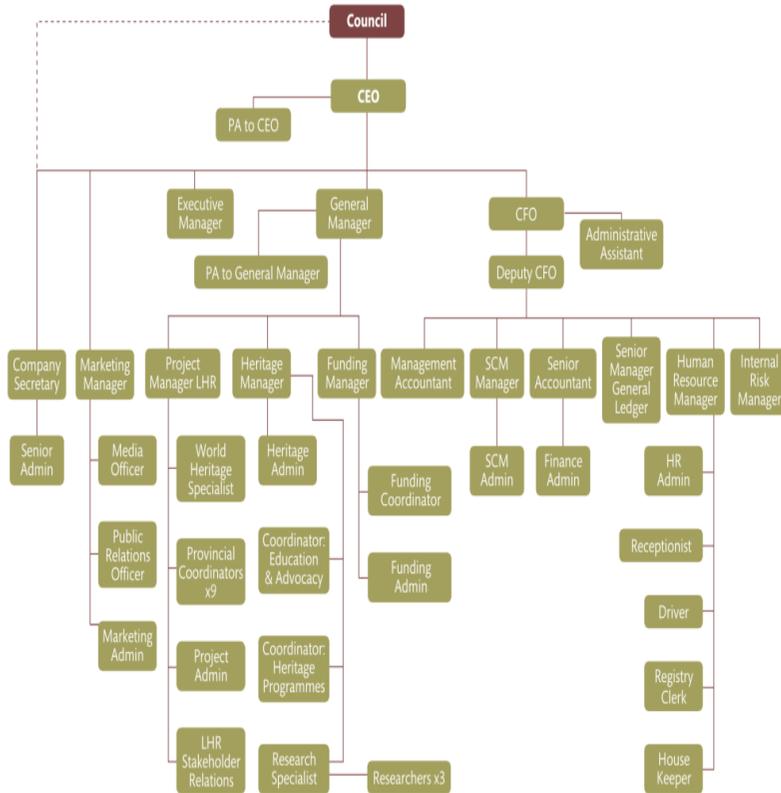
South African Heritage Resources Agency
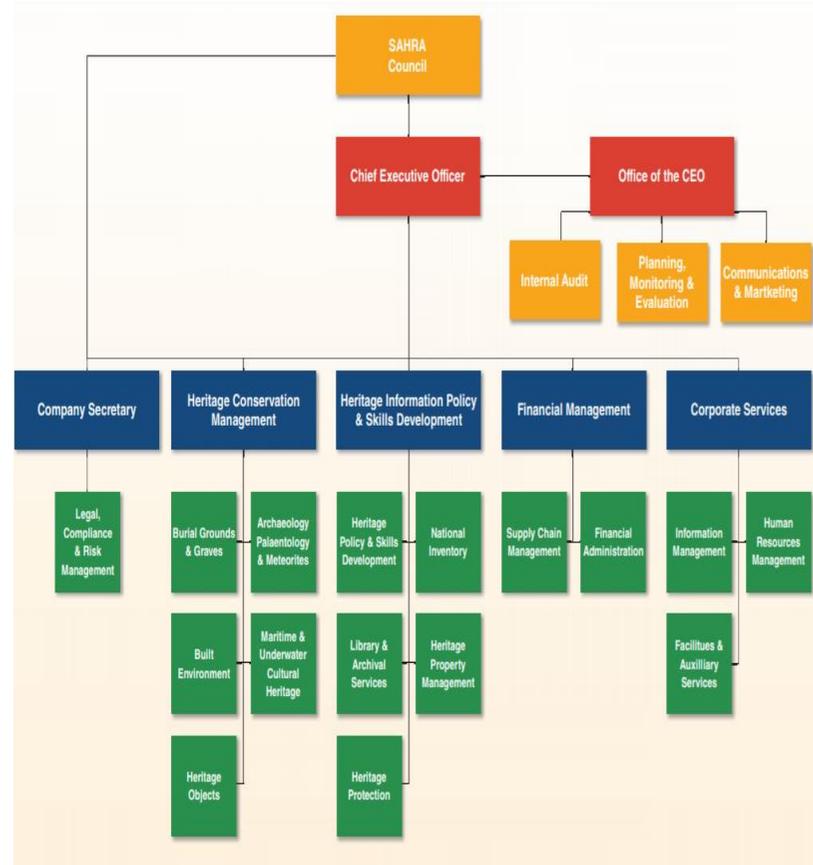
Source: NHC annual report 2019/20, SAHRA annual report 2019/20

4. Performance analysis

NHC performance indicators

To intensify the promotion of living heritage through collaborations and stakeholder engagements nationally and internationally

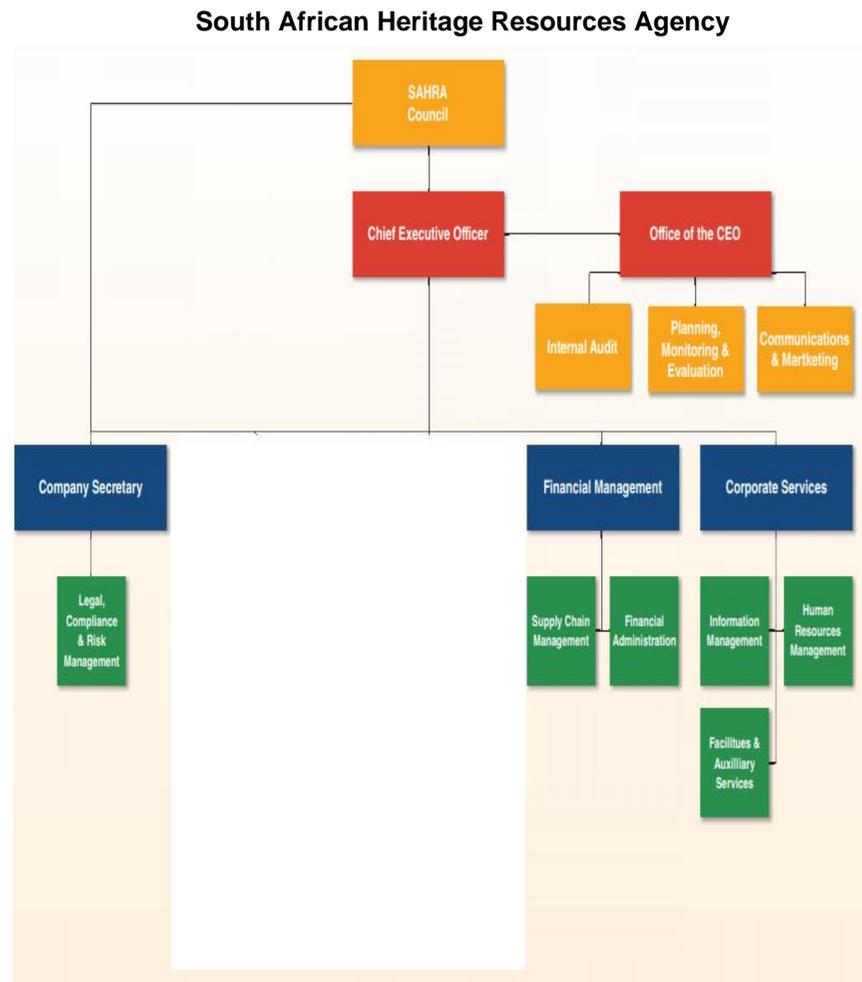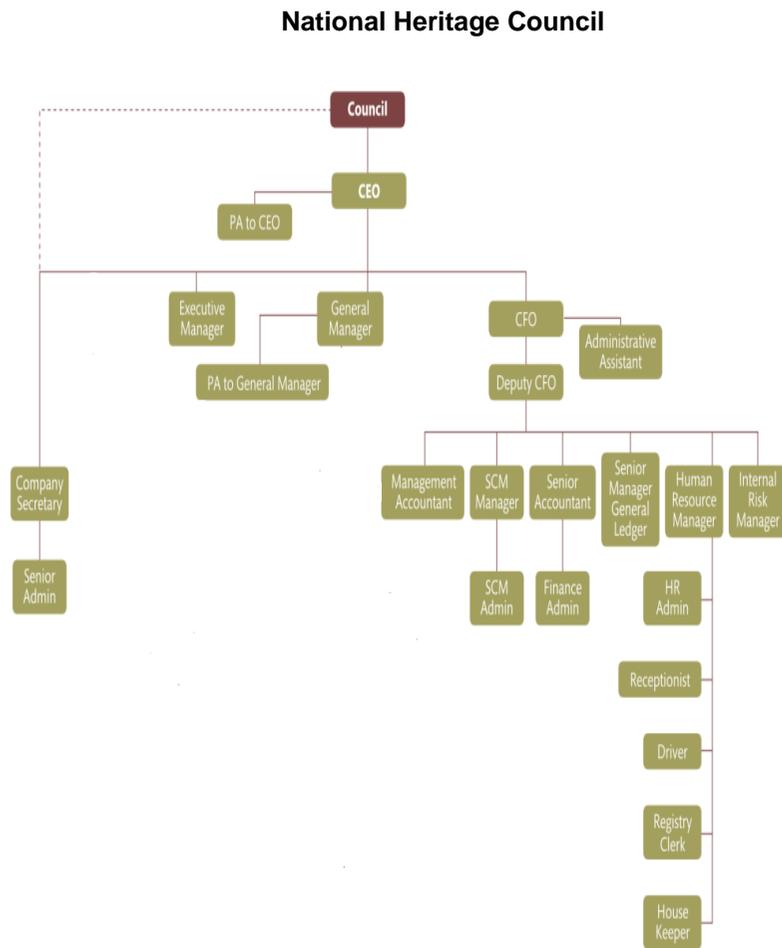- Number of exchange programmes implemented per annum
- Number of international multilateral engagements per annum
- Number of Cultural Expressions implemented
- Number of nation building initiatives implemented and funded

To develop a national planning, policy development and research capability that will create an enabling environment for the advancement and promotion of National Heritage content

- Number of publications produced per year.
- Number of Position Papers produced per year.
- Number of journal articles contributed per annum.
- Number of heritage education initiative supported.

To build a network of strategic partnerships to strengthen and integrate heritage development by extending the influence of the NHC and leveraging the resources through partnerships

- Number of community heritage projects supported and funded.
- Percentage of additional funds raised outside the DSAC grant.

To coordinate the management of the Resistance Liberation Heritage Route, the African Liberation. Heritage Programme and national input in the world heritage agenda by promoting the influence of the South African heritage globally.

- Number of commemorative events supported.
- Number of repatriations supported.
- Number of presentations made to different stakeholders.
- Number of submissions on the African Liberation Heritage Programme.

To intensify the promotion of the living heritage through collaborations and stakeholder engagements nationally and globally.

- Number of exchange programmes participated in per annum.
- Number of international multilateral engagements per annum.
- Number of community based cultural expressions implemented.
- Number of nation building initiatives implemented and funded.

SAHRA performance indicators

Regulation and compliance

- Number of heritage resources inspected

Heritage resources management

- Percentage of compliant nationally mandated Section 38 cases finalised within 60 days
- Percentage of compliant permit applications processed within 60 days

Heritage protection

- Number of heritage resources assessed for grading
- Number of Heritage resources declared

HRM of flagship projects
- Number of monuments and memorial sites rehabilitated and erected

National inventory
- Annual publication of a report on the inventory of the national estate
- Number of heritage collections in state custody inventorised

Repurposing of SAHRA properties
- The number of SAHRA owned properties repurposed for income generation

Nation building and social cohesion
- Number of formal partnership agreements with strategically identified institutions
- Number of HRM knowledge dissemination engagements with communities and stakeholders

Heritage resources promotion
- Number of papers on HRM published
- Number of marketing programmes implemented

5. Expenditure Observations

Methodology

For this analysis, data from 2016/17 to 2019/20 was collected from various sources:
Financial data: -

- OAG Public Entity Consol reporting template;
- National Treasury Public Finance Statistics Public Entity Quarterly Reporting templates; and
- SAHRA and NHC Annual Financial Statements.

Performance data: -

- SAHRA and NHC Annual Reports; and
- Annual Performance Plans and Strategic Plans

The figure below shows the processes followed when undertaking analysis:

Figure 4: expenditure data analysis process
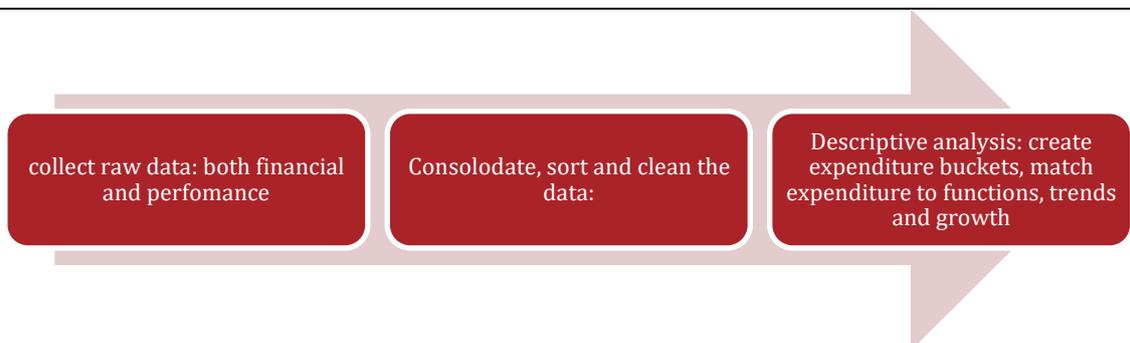
Source: Own work

As shown in Figure 4, the data was collected, cleaned and grouped using the filtering function, it was then listed and mapped in order to make it easier to understand, analyse or visualize.

When sorting data expenditure buckets were also created to match the data to core functions of the entities using Excel functions such as such as Sumif, Index, Matching and V-lookups. Descriptive analysis of the data was used in this review. This includes Trends, Growth rates and Rank analysis.

Data

This review relied mostly on the data expenditure reports that the public entities submit to the Office of the Accounting General in the National Treasury. Interpretation challenges and complexities in analysing that data was realised. Unlike government national departments which makes use of a Basic Accounting System (BAS) with clear Standard Chart of Accounts (SCOA) descriptions public entities makes use of different accounting systems based on the type of business operation in the entity.

In the data reports the public entities under review used their individual coding system to classify their expenditure, which made it difficult to analyse. To understand this coding system and be able analyse the data, a request to the entities of a list of codes descriptions was made. The code descriptions allowed made it possible to decrypt and decipher the expenditure data and allocate as per SCOA descriptions used in government accounting systems.

▇ *Revenue*

Both the NHC and SAHRA are schedule 3A entities and are heavily reliant on the transfers they receive from the Department of Sport, Arts and Culture., SAHRA is also able to supplement this transfer by generating income through donations, permit fees, rental, and investment interest.

Figure 5: NHC and SAHRA Revenue

	2017	2018	2019	2020
NHC income	72597077	70428621	66925169	63457825
SAHRA income	56072077	64224267	74946045	64830683
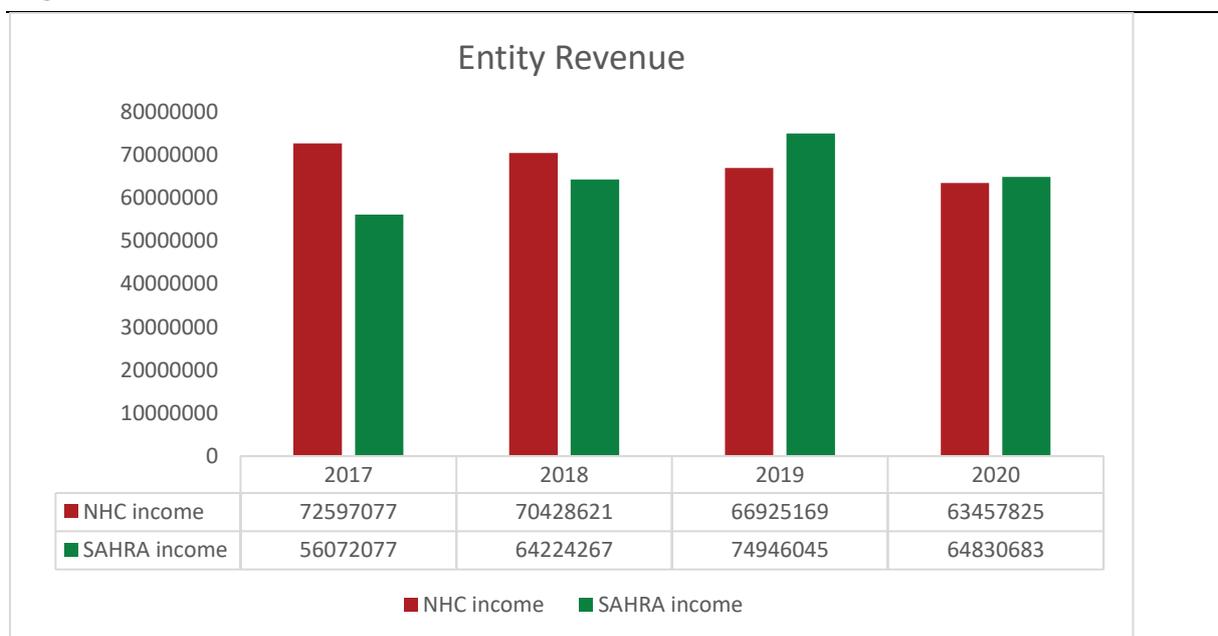
Source: Own work (Data provided)

Figure 5 shows the revenue data collected from the entities' trial balances. Revenue for the NHC has declined because of the fiscal consolidation and budget cuts implemented across government. On the other hand, although SAHRA's revenue has fluctuated on the years under review, it has weathered the budget cuts better, because of the additional/external revenue that the entity has been able to raise.

▉Expenditure analysis

Table 1 shows the expenditure buckets that were created to categorise expenditure. These expenditure buckets seek to distinguish between expenditure on core mandates (legislative functions) and support expenditure. Knowing how much is spent on corporate services by both institution allows us to identify the potential for savings from merging the NHC and SAHRA In Table 1, we have highlighted complementary and/or overlapping functions where savings are possible.

Table 1: Expenditure Buckets

SAHRA Expenditure Buckets	NHC Expenditure Buckets
Executive management	Executive management
Corporate services	Corporate services
Marketing and Awareness	Marketing and awareness
Heritage Management	Heritage management
Heritage objects and inventory management	Heritage funding
Heritage infrastructure	Liberation Route
Heritage Information, Policy & Skills Development	Policy and advice
	Heritage support

Source: Own Work

Figure 6: Income vs Expenditure by Entity

In the figure below is expenditure and revenue data for the period 2016/17 to 2019/20 for both institutions SAHRA and NHC. From the expenditure data it can be noted that in the years under review SAHRA spent R343 million, whilst NHC spent R253 million. The total expenditure of the two entities combined amounted to R596 million.

Income vs Expenditure

	2017	2018	2019	2020
NHC income	72597077	70428621	66925169	63457825
NHC expenditure	54915422	60176186	63965987	73747848
SAHRA income	56072077	64224267	74946045	64830683
SAHRA expenditure	75360345	83512655	87312376	96846756
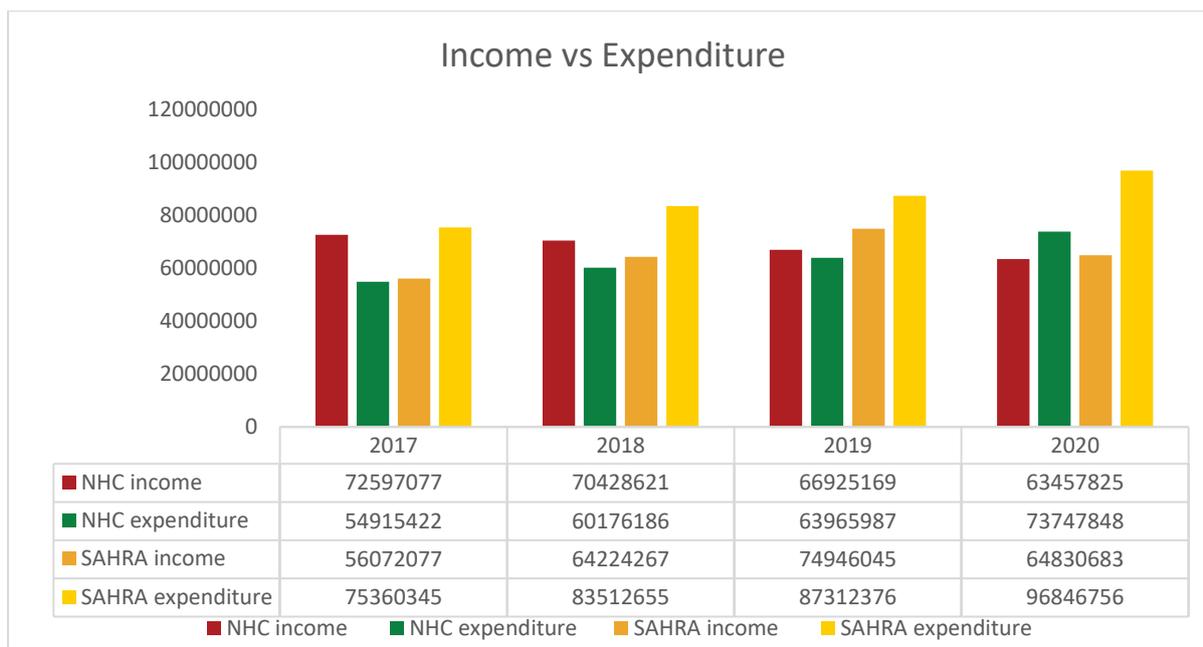
Source: Own work (Data provided)

Figure 6 compares income to expenditure of both the NHC and SAHRA. From the above it can be noted that for the NHC the income has been above expenditure except for the financial year 2020. This is in contrast to SAHRA's which has been above income for all the years under review.

It can also be noted that SAHRA's income is higher than NHC in the 2 outer years whilst in the first two years NHC's revenue was higher, however SAHRA's total expenditure was higher than NHC's in all 4 years under review. SAHRA's lower incomes in the first two years under review can be attributed to the financial and operational challenges the entity was facing, which led to senior officials in the entity being suspended and some fired after a forensic investigation was performed.

Table 2: SAHRA – Expenditure by Function

South African Heritage Resource Agency	2017	2018	2019	2020	Grand total	Share analysis
Corporate services	R 44 001 553	R 48 733 238	R 50 354 680	R 55 025 303	R 198 114 774	58%
Heritage Management	R 15 798 365	R 16 963 876	R 18 712 398	R 20 416 009	R 71 890 649	21%
Executive management cost	R 9 850 201	R 11 402 704	R 11 110 167	R 13 375 541	R 45 738 613	13%
Heritage objects and inventory management	R 3 288 913	R 2 987 243	R 3 188 021	R 4 764 895	R 14 229 073	4%
Heritage Information, Policy & Skills Development	R 1 335 921	R 1 003 166	R 1 188 093	R 1 452 316	R 4 979 496	1%
Marketing and Awareness	R 698 488	R 1 551 603	R 1 052 617	R 877 117	R 4 179 825	1%
Heritage infrastructure	R 386 904	R 870 826	R 1 706 400	R 935 573	R 3 899 702	1%
TOTAL	R 75 360 345	R 83 512 655	R 87 312 376	R 96 846 756	R 343 032 132	100%

Source: Own work (Data provided)

Table 2 shows total expenditure by SAHRA by function. From the above it is noted that the Corporate services function, which includes all costs of supporting service departments

(*Finance, HR, IT, supply chain management e.t.c*) in the entity. Corporate services is the highest spending item, accounting for 58 per cent of total expenditure, followed by the Heritage management function with just above 20 per cent of total expenditure spent on this function. The lowest spending function is Heritage infrastructure, accounting for less than 1 per cent of total expenditure. In the years under review expenditure for corporate services has been having a average 8 per cent year on year increase, in contrast to other functions in the entity which have been fluctuating.
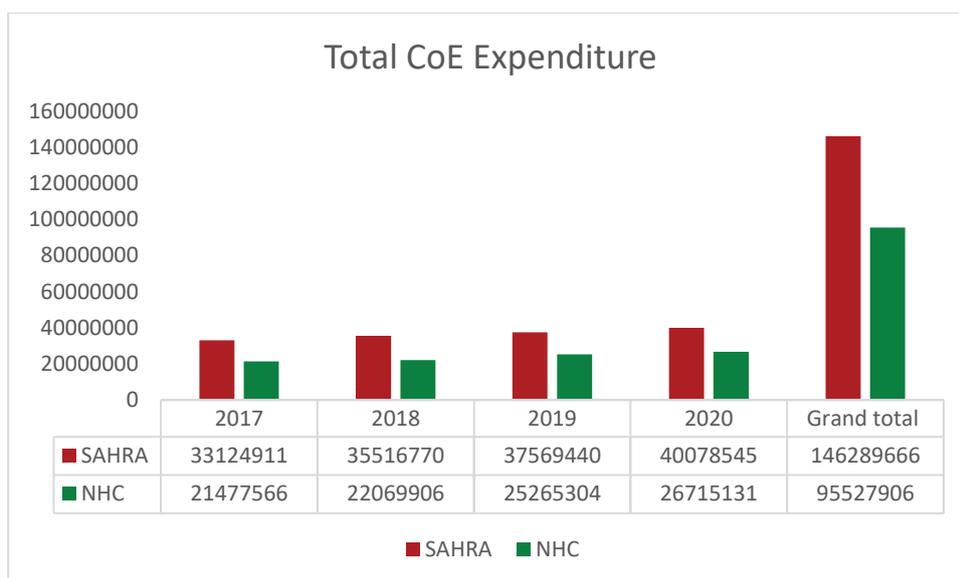
Table 3: NHC - Expenditure by Function

National Heritage Council	2017	2018	2019	2020	Grand total	Share analysis
Corporate services	R 26 161 757	R 26 913 772	R 30 703 573	R 33 888 967	R 117 668 070	47%
Heritage management	R 6 157 396	R 7 475 629	R 7 475 629	R 10 628 149	R 31 736 803	13%
Executive management cost	R 5 476 152	R 5 287 877	R 5 287 877	R 5 968 149	R 22 020 056	9%
Heritage funding	R 4 652 020	R 5 310 169	R 5 310 169	R 6 515 702	R 21 788 061	9%
Heritage support	R 4 345 297	R 4 676 548	R 4 676 548	R 4 990 232	R 18 688 625	7%
Liberation Route	R 4 373 022	R 4 711 722	R 4 711 722	R 3 739 286	R 17 535 751	7%
Marketing and awareness	R 3 156 478	R 3 861 162	R 3 861 162	R 5 491 922	R 16 370 724	6%
Policy and advise	R 593 299	R 1 939 307	R 1 939 307	R 2 525 441	R 6 997 355	3%
TOTAL	R 54 915 422	R 60 176 186	R 63 965 987	R 73 747 848	R 252 805 443	100%

Source: Own work (Data provided)

Table 3 shows the total expenditure by NHC by function. From the above it is noted that the Corporate services function which includes all costs of supporting service departments (*Finance, HR, IT, supply chain management e.t.c*) in the entity. Corporate services is the highest spending item, accounting for 47 per cent of total expenditure, followed by the Heritage management function with 13 per cent of total expenditure spent. The lowest spending function is Policy and advise accounting for just 3 per cent of total expenditure. Between the years 2017/18 and 2018/19 expenditure for all other functions remained constant, except that of corporate services.

▮▮▮ *Personnel expenditure*

Figure 10: Total personnel expenditure

Total CoE Expenditure

	2017	2018	2019	2020	Grand total
■ SAHRA	33124911	35516770	37569440	40078545	146289666
■ NHC	21477566	22069906	25265304	26715131	95527906

■ SAHRA   ■ NHC

Source: Own work (Data provided)

Figure 10 above shows the total expenditure on compensation of employees of the two entities for the time period of 2016/17 to 2019/20. From the above it can be noted that SAHRA has a higher expenditure on CoE than NHC. It can also be noted that for the time period under review both the entities have been experiencing a constant increase in their CoE expenditure, with SAHRA having an average year on year increase of 7 per cent, whilst NHC is at 8 per cent. For the period under review SAHRA had spent a total of R146 million in CoE, with an average staff complement of 95. Most SAHRA of the expenditure was in top and middle level staff. The NHC had spent a total of R96 million on CoE, with an average staff complement of 27. Most of the expenditure for NHC was in middle level staff.

Figure 11: SAHRA – Personnel Expenditure by Function

South African Heritage Resource Agency	2017	2018	2019	2020	Grand total	share
Corporate services	R14 525 992	R15 927 936	R17 188 787	R17 182 246	R64 824 961	44%
Heritage Management	R5 285 300	R5 627 487	R5 804 674	R6 415 727	R23 133 187	16%
Heritage Information, Policy & Skills Development	R4 401 054	R4 668 594	R5 008 992	R5 471 319	R19 549 958	13%
Heritage infrastructure	R2 816 775	R3 043 542	R3 212 135	R3 476 243	R12 548 695	9%
Executive management cost	R2 798 225	R2 741 420	R2 688 343	R3 579 215	R11 807 203	8%
Heritage objects and inventory management	R2 290 602	R2 331 760	R2 467 890	R2 623 944	R9 714 197	7%
Marketing and Awareness	R1 006 965	R1 176 031	R1 198 619	R1 329 850	R4 711 465	3%
TOTAL	R33 124 911	R35 516 770	R37 569 440	R40 078 545	R146 289 666	100%

Source: Own work (Data provided)

Figure 11 above shows the total expenditure on CoE by SAHRA by expenditure bucket or function. The entity for the years under review has spent over R145 million in total on CoE, at an average of 7 per cent year on year growth. From the table above it can be noted that the

entity spent 52 per cent of the total CoE expenditure under review on Corporate services and Executive management. The bulk of the of the expenditure was on administrative, management and support staff. Less than 50 per cent of the expenditure was on core functions of the entity.

Figure 12: NHC – Personnel Expenditure by Function

National Heritage Council	2017	2018	2019	2020	Grand total	share
Corporate services	R8 654 765.40	R9 388 993.96	R10 451 598.36	R10 985 259.22	R 39 480 617	41%
Executive management cost	R3 489 038.16	R4 001 059.20	R4 296 410.64	R4 082 549.37	R 15 869 057	17%
Heritage management and support	R3 018 371.19	R2 637 749.40	R3 516 209.88	R4 256 438.40	R 13 428 769	14%
Liberation Route	R3 117 950.64	R2 290 331.76	R2 907 581.87	R3 135 369.08	R 11 451 233	12%
Heritage funding	R2 085 205.32	R2 224 917.72	R2 415 418.56	R2 523 290.28	R 9 248 832	10%
Marketing and awareness	R1 112 235.16	R1 526 853.72	R1 678 084.32	R1 732 224.72	R 6 049 398	6%
TOTAL	R 21 477 566	R 22 069 906	R 25 265 304	R 26 715 131	R 95 527 906	100%

Source: Own work (Data provided)

Figure 12 above shows the total NHC expenditure on CoE by expenditure bucket or function. The entity for the years under review has spent a total of R95.5 million on CoE, at an average of 8 per cent year on year growth rate. From the table above it can be noted that the entity spent 58 per cent of total CoE expenditure under review on Corporate services (which included all programme 1 CoE except salaries of CEO and CFO) and Executive management. The bulk of the expenditure was on administrative, management and support staff. Less than 50 per cent of the expenditure was on core functions of the entity.

6. Options and Recommendations

The expenditure analysis above of the two entities under review provided the following findings:

- the entities are experiencing high spending pressures, as SAHRA's expenses exceeds income for each year under review whilst NHC's expenditure exceeds income only in 2019/20.
- The entities spend more of their resources (financial and personnel) on support service programmes instead of the core service delivery programmes, evidenced by their big support services structure.

  Corporate services and executive management costs consume the bulk of the expenditure in the two entities

The report makes a strong recommendation that the two entities need to be merged strengthen the heritage management sector and eliminate overlapping functions between the entities.

A merged entity will have more resources at its command than the individual entity. This will help in increasing the scale of operations and the economies of large scale will be availed. These economies will occur because of more intensive utilisation of production facilities, sector network, research and development facilities, etc. With this creating synergy in the heritage management sector.

Duplicating facilities or functions like finance, human resources, marketing, etc. will be eliminated. Operating inefficiencies of small concerns will be controlled by the executive management emerging from the merger. The merged entity will be able to plan their resources in a better way. The collective finances of merged entity will be more and their utilisation may be better than in the separate concerns.

From the merged entity a significant saving of **approximately R100 million** over the MTEF can be made by streamlining the heritage management sector. The merged entity will make saving from the support service programme in the structure. This will ensure one corporate services, one executive management, one council/board, one audit committee e.t.c. The saving will be realised from a 10 percent of duplicating functions. A significant reduction in the size of corporate services department will be realised, an executive management function will be cut by half in terms of having a single CEO, CFO, council e.t.c. Duplicating core programmes will be increased and were necessary a saving will be realised from duplicating posts.

By streamlining the heritage management sector, it will ensure that the sector is strengthened and there is synergy in the sector. Functions which are complementary between the two entities will be broadened and greater coverage and performance will be achieved. It is critical that the structure and the size of the entity must be optimally suited to effectively and efficiently deliver on its mandate and ensure the most efficient allocation and use of public resources.

To achieve the above recommendations the following actions should be taken:
- There is a need for a legislative review on the heritage management institutions, with specific focus on the two institutions under review. The legislative review will update and revise the review that was done in 2007.
- The revised legislative review will advise and provide clarity on the legislative process to be followed on merging the two entities.
- A proper costing model should be developed for the effective and efficient delivery of the combined mandate.
- The model will advise on the financial implications of streamlining the two entities.

- The model will outline a process which involves assessing the value of the target, identifying alternatives for structuring the merger transactions, evaluating these, and selecting the structure that would best enable the organization to achieve its objectives. Preferably a discounted cash flow analysis.
- The model must commit to ensuring minimal disruptions within the sector. In areas where there is duplication of functions due to the merger, affected officials should be managed in terms of Section 197 of the Labour Relations Act and in consultation with the relevant labour unions at these entities. A change management process must also be followed to ensure a smooth transition.

Appendices