NATIONAL SCHOOL OF GOVERNMENT

1   Introduction

The National School of Government (NSG) was established by the Public Administration Management Act of 2014 as a dedicated, specialised training institution for civil servants. Its mandate is to deliver quality education, training and development to equip civil servants with the values, skills and knowledge necessary for entry into and career progression within the public service. Initially it was envisaged that the NSG would offer the following training programmes:

- A compulsory induction programme for all new recruits;
- Contact and e-learning in-service training for existing staff;
- An annual leadership summer school for top management; and
- A 10-month elite cadet training programme for 1% of all new recruits.

It was also expected that the NSG would conduct diagnostic reviews of training needs in all national and provincial departments. The initial proposal was to train all civil servants from all national and provincial departments at a cost of R7.4 billion, using the 1% training levy of the government salary bill, which amounts to R4.6 billion.

The Advisory Task Team charged with setting up the NSG approached the National Treasury to help assess the financial implications of their proposals for inclusion in an urgent Cabinet submission. The aim of this rapid response performance and expenditure review (PER), conducted over two weeks in September 2013 by Cornerstone Economic Research, was to develop a costing model for the establishment and operations of the NSG. Some of its key outputs and insights are summarised here; the full report is available at www.gtac.gov.za/programmes-and-services/public-expenditure-and-policy-analysis.

2   Costing model

The PER costing model allows users to generate a range of scenarios by changing assumptions about the key cost drivers (e.g. modes of training delivery, the number of public servants to be trained, and the average number of training days). The model includes parameters for the proposed income sources for the NSG, which allows funding streams and any potential funding gap to be projected.

Costing a completely new programme is challenging because of the lack of historical expenditure data to use as a benchmark, combined with uncertainty about the future. The standard practice is to use assumptions that can be varied by the user; the PER model uses proxies for cost estimates.

- Some cost assumptions are based on the existing budget or expenditure information from similar training institutions, such as the Public Administration Leadership and Management Academy (the predecessor of the NSG) and the Public Sector Education and Training Authority.
- Administration costs are calculated as a ratio of the cost of non-administrative programmes to training programmes, using a specified ratio for the four main administrative programmes (Office of the Head of NSG, Internal Audit, Corporate and Financial Services, and the Registrar).
- Certain costs are based on assumptions about the personnel required to perform core administrative functions. These 'establishment overhead costs' do not vary with the number of learners trained by the NSG.
- Variable cost estimates can be used for different training programmes, their learner numbers, and the time periods for training the targeted number of public servants. Assumptions on the modalities of training delivery can also be altered, with variables including the number of training

contact days, the use of a central venue or a decentralised model in which public servants are trained at their workplaces, and the balance between contact and e-learning courses.

- Personnel costs are based on the salary scales and seniority levels of the Department of Public Service and Administration. The main exceptions are the cost of facilitators and e-tutors.
- The complement of staff required to manage the in-service education, training and development is based on the number of people to be trained and the programme management input per course.

While users may define their own scenarios, the costing model was used to generate three scenarios for the establishment and operation of the NSG, covering the period 2013/14–2016/17:

- The *implementation scenario* projects the costs of a phased approach to setting up the NSG and gradually increasing the delivery of different training programmes (e.g. the compulsory induction programme or in-service training) as the required capacity is put in place. The Advisory Task Team provided guidance on when certain costs are likely to be incurred and the planned roll-out of the training programmes.
- *Scenario 1* estimates the costs of running the NSG if it were to train half the targeted number of public servants. Note that the set-up and establishment overhead costs are the same as in the next scenario; only the costs of the training programmes and administration are lower.
- *Scenario 2* estimates the costs of running the NSG if it were to provide training to all the targeted public servants. In essence, this scenario sets out the 'end point' of any proposed roll-out plan for the NSG, regardless of the length of the envisaged roll-out period.

The NSG did not expect to receive any of the 1% of CoE training levy in 2013/14. This meant that despite relatively low projected costs for that year, a shortfall of some R129 million was expected. Even if the NSG were to receive the full 1% of COE training levy annually, it would still be hard to roll out the envisaged training programmes to the entire public service within this resource envelope. This is the main conclusion of *Scenario 1,* in which a significant shortfall is projected despite the coverage of the largest training programmes being set at only 50% of the target level. *Scenario 2* suggests that reaching 100% coverage on all programmes, while maintaining the transfers to the SETAs and the learnerships, would require 2.92% of the cost of employment, or R12.4 billion.

3   Findings

The initial proposals for the establishment of the NSG and the roll-out of its training programmes would have resulted in a shortfall of around R2.8 billion. The delivery model initially proposed was essentially a departmental structure and a university; this was overly complex and resource-intensive, and needed to be streamlined.

The PER analysis suggested that this funding gap could be reduced through cost savings, for example by narrowing the focus of the NSG to public servants in policy departments and centre-of-government departments, while excluding departments such as Basic Education, Health, Defence, the South African Police Service, Correctional Services, International Relations and Cooperation, and Parliament. Further cost savings could be achieved through: (i) a staggered approach of training 40% of civil servants per year instead of 60%; (ii) a higher learner–instructor ratio; and (iii) omitting the very expensive cadet-style training.

The proposal contains two high-risk assumptions: (i) Existing civil servants would provide most of the training, free of charge but at an opportunity cost of about R600 million per year; and (ii) the current funding of about R420 million for the various government-aligned SETAs would be shifted to the NSG.