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Sharing is Caring - Examining the feasibility of using a shared services model within SAQA, the QCTO and the CHE

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NATIONAL TREASURY

SAVINGS@WORK
GOVERNMENT SPENDING REVIEWS

Contents

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Key points

- Four entities are jointly responsible for governing, overseeing and implementing the National Qualifications Framework in South Africa. These entities are the South African Qualification Authority (SAQA), Council for Higher and Education (CHE) and Quality Council for Trades and Occupations (QCTO) and Umalusi.
- Funding for public entities has been cut as part of the fiscal consolidation process. SAQA, the CHE and the QCTO have also been affected by the budget cuts. These budget cuts have placed public entities under considerable financial pressure.
- Against this background of a tight fiscus, this spending review examines the potential for savings from establishing a shared corporate services centre for the Department of Higher Education and Training's public entities – SAQA, the CHE and the QCTO.
- The main aim of this spending review is to identify the potential for savings by streamlining corporate services.
- This NQF institutions spend their money on three main functions: Core mandate, Corporate Services and Support and Governance and management support.
- Their corporate services and support branch for these entities comprises of Finance, Human Resources, Information Management & Technology and Administration.
- The very high level of spending on Administration budget in National Qualification Framework Institutions which is SAQA, CHE and QCTO – put a positive gloss that a shared services centre could reduce spending on corporate services in two ways – reducing personnel and streamlining functions like procurement etc.
- There are potential savings from centralising corporate service functions in a shared services centre for all three entities.
- A cost saving of ±R23.7 million under a marginal scenario and ±R47.9 million under a moderate scenario can be realised over the MTEF.
- NQF institutions should be encouraged to adopt a more streamlined service delivery model for its corporate services

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Executive summary

Four Schedule 3A public entities are jointly responsible for governance and implementation of the National Qualification Framework. These entities are the South African Qualification Authority (SAQA), Council for Higher and Education (CHE) and Quality Council for Trades and Occupations (QCTO) and Umalusi. Whereas SAQA is responsible for steering the National Qualifications Framework and registering qualifications, the Quality Councils – CHE, QCTO and Umalusi - administer the higher education, occupational and trades and general education sub-frameworks, respectively.

This spending review focuses on three of the entities – SAQA, the CHE and QCTO – all of whom report to the Department of Higher Education and Training. Umalusi is excluded from the scope of this spending review as it reports to the Minister of Basic Education.

Over the past five years, funding for public entities has been cut as part of the fiscal consolidation process. These budget cuts have placed public entities under considerable financial pressure. SAQA, the CHE and QCTO have also been affected by the budget cuts.

Against this background of a tight fiscus, this spending review explores the possibility of establishing a single corporate/support service function amongst these entities. The main aim of this spending review is to identify the potential for savings by streamlining corporate services.

Methodology

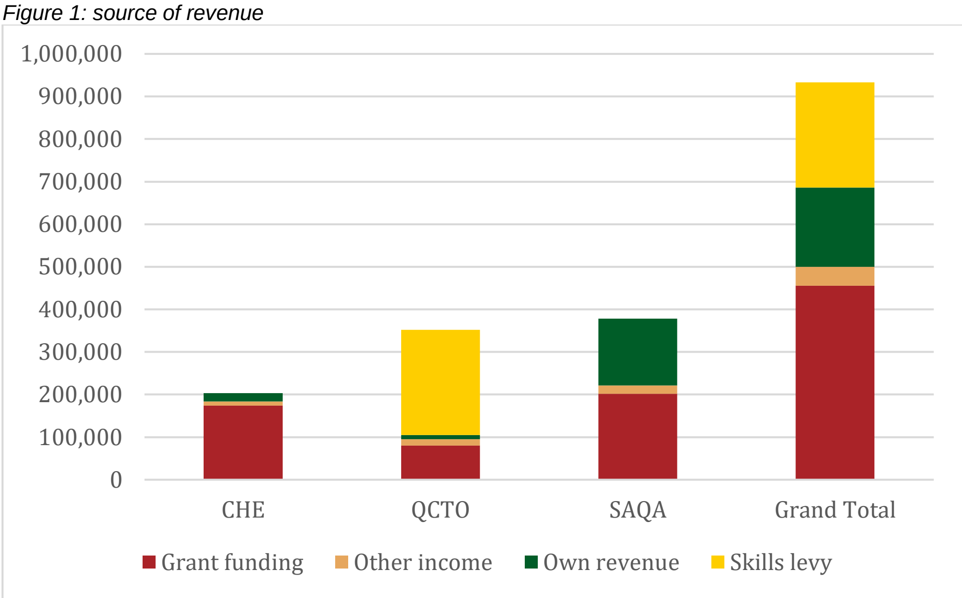
In this spending review, we use multiple sources of data including the management accounts and payrolls of the public entities. All the data across the three years (2017/18 – 2019/20) were collected, consolidated and group into functions. This were done so that we are able identify how much has been spent on corporate services, governance, and core mandate.

Findings

Income

NQF institutions receive 50 per cent of its own revenue as transfers from the department of higher education and training. The other revenue is from exchange transactions, skills development levy and interest earned on investment.

Figure 1: source of revenue



These institutions have experienced a steady reduction on its grant transfer which has resulted in a significant budget shortfall to fund the core programmes. For the past years, the reduction in the grant baseline was partially made up for by an increase in exchange transaction revenue (own revenue).

However, the revenue from exchange of transactions that was used to supplement their income has recently been declining. E.g., revenue raising activities were heavily affected by economic downturn and COVID–19 pandemic that some entities have seen a decline in own revenue like SAQA who collects less verification and evaluation fees.

Aggregate expenditure

Table 1: Aggregate expenditure

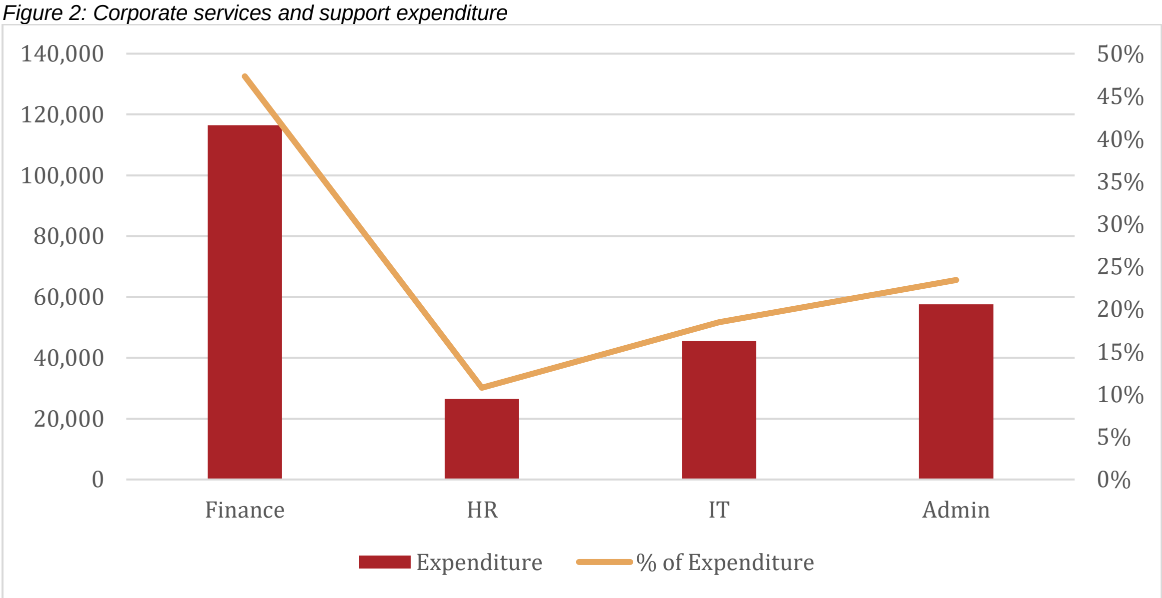
	2018	2019	2020	Total	CAGR
CHE	57 932	58 808	65 783	182 523	7%
QCTO	71 530	89 165	115 256	275 951	27%
SAQA	110 606	114 125	126 536	351 267	7%
Total	240 068	262 097	307 575	809 741	13%

Between 2017/18 to 2019/20, NQF institutions spend R809.7 million. Their expenditure grown marginally at an average rate of 13 per cent between 2017/18 to 2019/20. This is higher than their revenue average growth rate of 8 per cent.

NQF institutions spend money on three main functions: Core mandate, corporate services and support and Governance and management support. For the period under review, Entities spend 53 per cent of their total expenditure on core mandate. Corporate services expenditure accounts also for a considerable proportion of total expenditure which is 30 per cent.

During our grouping and categorisation of data, we found that corporate services and support branch for the NQF institutions comprises of Finance, Human Resources, Information Management & Technology and Administration as their main sub-directorates.

Figure 2: Corporate services and support expenditure



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NQF institutions spend most of their corporate services budget on finance as a sub function. HR unit comprise of the Human Resource Management (HRM) and Human Resource Development (HRD) directorates.

Institutions spend R45 millions or 18 per cent of their corporate service budget on Information Management & Technology. The admin function includes mainly the costs associated to buildings such as rentals, water, and electricity, cleaning services.

The corporate services expenditure is growing at an average rate of 9 per cent that is higher than average inflation of 4 per cent between 2017/18 and 2019/20. CHE corporate services grow at an average rate of 17 per cent whereas SAQA and QCTO grows at an average rate of 9 and 7 per cent respectively.

Insights and considerations

The very high level of spending on Administration budget in National Qualification Framework Institutions which is SAQA, CHE and QCTO – put a positive gloss that a shared services centre could reduce spending on corporate services in two ways – reducing personnel and streamlining functions like procurement etc.

There are potential savings from centralising corporate service functions in a shared services centre for all three entities. This would save ±R23.7 million under a marginal scenario and ±R47.9 million under a moderate scenario.

Table 2: potential savings

	2022/23	2023/24	2024/25	Total
Total Budget	R76 728	R80 027	R83 864	R240 619
Actual staff	81	81	81	
Unit cost	R947	R980	R1035	
Potential saving: Moderate (10%)	R7 576	R7 840	R8 280	R23 696
Potential saving: Marginal (20%)	R15 152	R15 680	R16 560	R47 392

NQF institutions should therefore be encouraged to adopt a more streamlined service delivery model for its corporate services and use e.g., recruitment freezes, attrition, and voluntary severance packages to achieve necessary optimization. Consideration should also be given to having a single corporate/support service function for NQF institutions.

1. Background

The National Qualifications Framework (NQF) classifies, registers, publishes quality-assured national qualifications. It also ensures that qualifications articulate with each other to support lifelong learning. The South African government has established four Schedule 3A public entities to govern, oversee and administer the National Qualification Framework. These entities include South African Qualification Authority (SAQA), Council for Higher and Education (CHE) and Quality Council for Trades and Occupations (QCTO) and Umalusi.

Over the last five years, government's fiscal consolidation efforts have seen the financial position of National Qualification Framework institutions deteriorate for several reasons. Firstly, government has cut funding to public entities as part of efforts to reduce the national deficit. Secondly, Stagnant economic growth has impacted adversely on company contributions to the Skills Development Levy. Between 2019/20 and 2020/21, the Skills Development Levy declined by 45%[1]. In addition, their revenue raising activities were heavily affected by economic downturn and COVID–19 pandemic.

As a result, these entities are in considerable financial pressure. In 2020, SAQA retrenched over 70 staff members because of lower government funding and revenue collection. QCTO revenue is expected to decrease at an average annual rate of 4 per cent, from R124.6 million in 2020/22 to R110.2 million in 2023/24, driven mainly by the negative impact of COVID-19 on income from the Skills Development Levy.

Considering the tight fiscal conditions, this spending review focuses on savings and efficiency gains from adopting a shared services model across these NQF institutions. The shared corporate services model will cover the five traditional functions – finance, SCM, HR, IT and Marketing/Communications.

[1] Budget Review (2021)

2. Institutional Analysis

Within the education and training sector, four institutions are mainly responsible for the development and implementation of the National Qualification Framework. SAQA oversees the further development and implementation of the National Qualifications Framework. Each of the sub-frameworks within the National Qualifications Framework are developed and managed by a specific Quality Councils: (i) the General and Further Education and Training Qualifications Sub-framework by Umalusi, (ii) the Higher Education Qualifications Sub-framework by the CHE, and (iii) the Occupational Qualifications Sub-framework by the QCTO.

2.1. Key legislation governs the NQF institutions

There are several types of legislation and policies which were promulgated in the post school education and training to ensure the successful implementation of the NQF. The South African Qualifications Authority is established in terms of the NQF Act. The role of SAQA, as stipulated in the NQF Act is to advance the objectives of the NQF, oversee the further development and implementation of the NQF and co-ordinate the sub-frameworks.

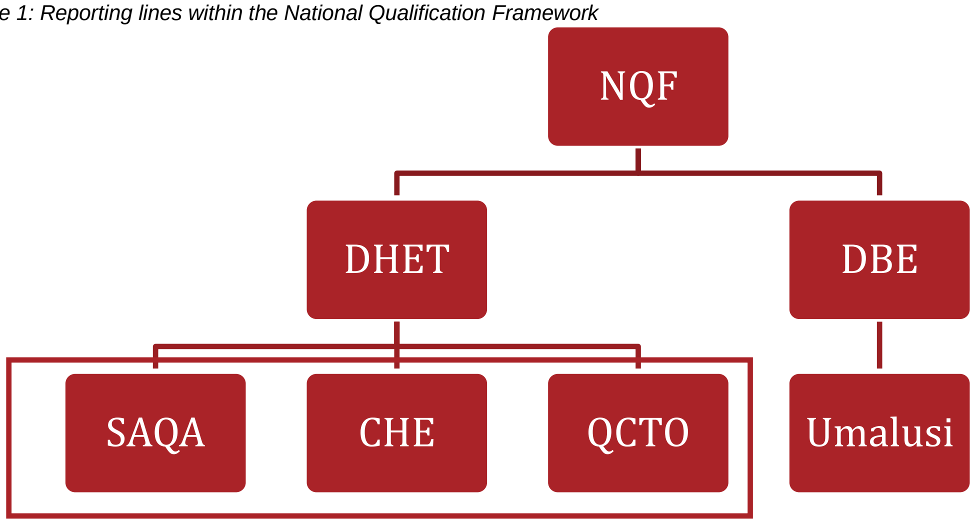
The QCTO established in 2010 in terms of the skills Development Act (Act 97 of 1998) as amended in 2008. The entity functions as a quality council in terms of the NQF Act, responsible for the quality assurance and the oversight of the design, accreditation, implementation, assessment and certification of occupational qualifications, part-qualifications, and skills programmes. The CHE established in 1998 in terms of the Higher Education Act (Act No 101 of 1997), as amended. The entity functions as the Quality Council for Higher Education in terms of the NQF Act.

2.2. Governance and reporting

The Minister of Higher Education and Training has the overall executive responsibility for the NQF. The Minister is also the executive authority for SAQA, the CHE and the QCTO (as illustrated in *Figure 1*). The Quality Council for General and Further Education and Training – Umalusi - falls under the Minister of Basic Education. This spending review therefore focuses on CHE, QCTO and SAQA because they fall under one Executive Authority – that of the Minister of Higher Education. From a structural perspective, it is easier for entities under the same Executive Authority to collaborate and share resources. It is important to note that Umalusi is excluded from this analysis because they report to a different ministry.

SAQA and QCs account to their boards/councils on their performance. The boards/councils in turn report to the Minister of Higher Education and Training. SAQA and the QCs report to branches within the DHET on their operational and expenditure performance. They also must report to the NQF Directorate within the department on the implementation of the Ministerial Directives and other NQF-related matters. The QCs must also report to SAQA on the implementation of the NQF Act, as the Act envisaged when it assigned the responsibility for overseeing implementation to SAQA.

Figure 1: Reporting lines within the National Qualification Framework



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3. Methodology

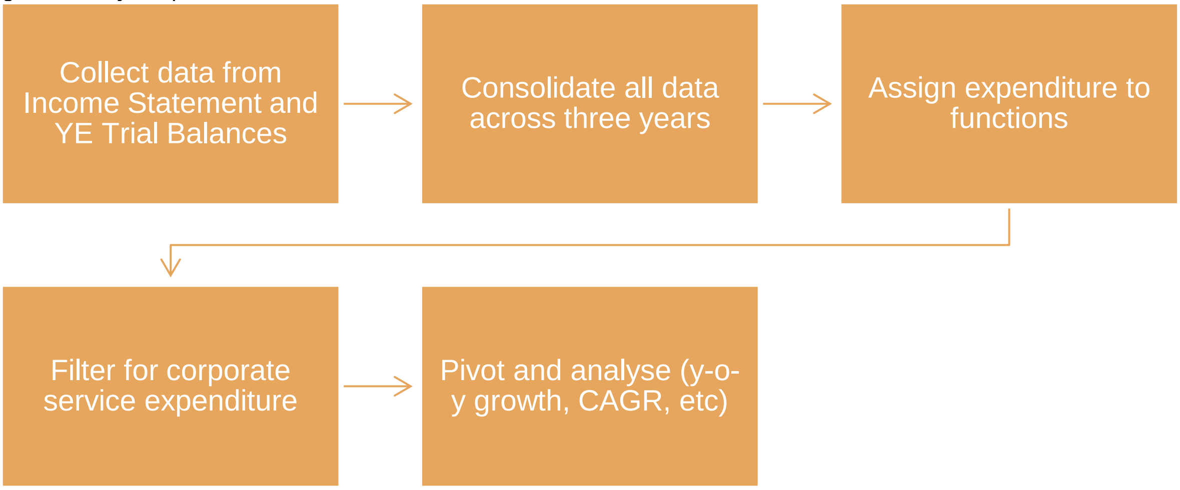
3.1. Overview

This spending review uses multiple sources of data including the management accounts and payroll data from the public entities and the Estimates of National Expenditure.

Financial data used for expenditure analysis is collected from the income statements of the database submitted by the public entities to the Office of the Accountant General on an annual basis. Year-end trail balances were also requested from the public entities to obtain granular information on expenditure.

All the data across the three years (2017/18 – 2019/20) were collected, consolidated and group into functions. This were done so that we are able identify how much has been spent on corporate services, governance, and core mandate (see *Figure 2*).

Figure 2: Analytical process



As the central trust of this spending review is about examining the possibility of a shared corporate service model, we had to filter for corporate service to identify how much has been spent in corporate services.

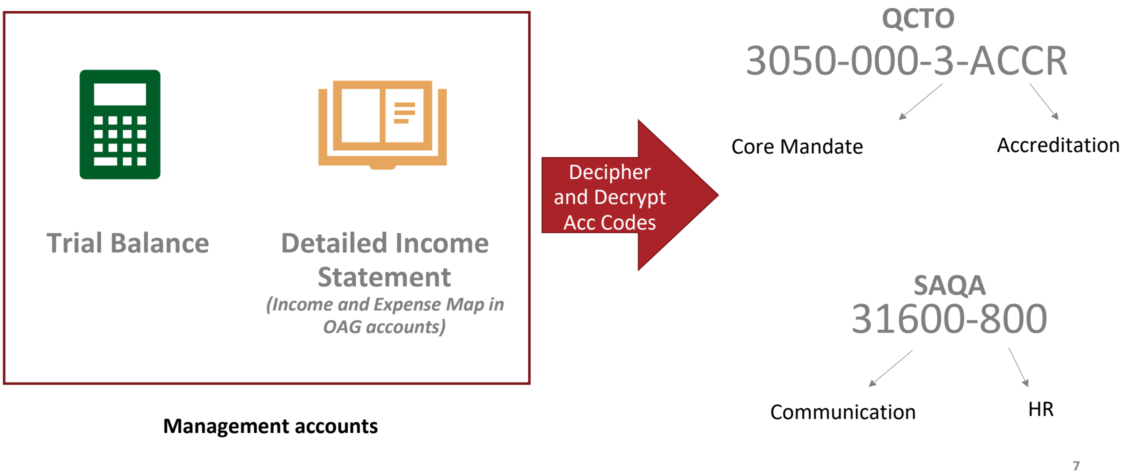
Lastly, we analyse personnel and expenditure data to understand how much we are spending on each of the corporate service functions across the three institutions.

3.2. Data challenges and complexities

Unlike national departments and provinces which use a uniform accounting and reporting system like BAS and the SCOA, public entities structure their management accounts to suit their business needs. In other words, the way public entities report using management accounts differ from one another.

When analysing management accounts, it is important to decipher and decrypt the accounting codes created by themselves. The use of different accounting and reporting structures by public entities makes it difficult to classify where the expenditure belongs if someone doesn't understand how their accounts are structured and classified. For example,

Figure 3: decipher and decrypt of the accounting codes

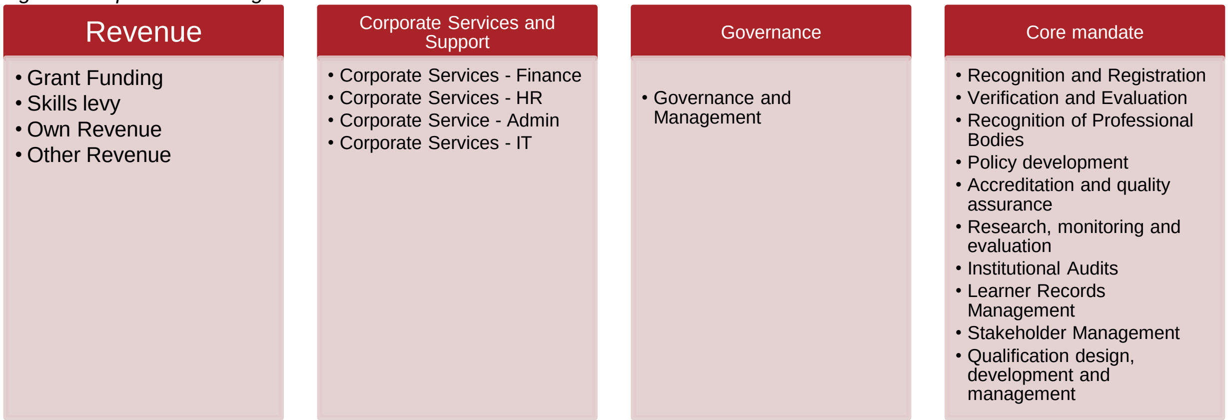


To understand the codes used in the management accounts for the accounting description, we requested the list of codes descriptions from the public entities. We also tried to use ENE databases for analysis, however, we found that the ENE data is not sufficiently granular to group and allocate expenditure.

3.3. Grouping and categorising data

The diagram below shows how we have allocated expenditure to functions across all three public entities (see figure 4):

Figure 4: Expenditure categories



The revenue, corporate services, governance, and core mandate represent the main functions of the public entities. Each function is divided into sub-functions. For example, finance and human resources are sub-functions under corporate services. Likewise, recognition and registration fall under the core mandate of SAQA. whereas the listed items such as corporate Services – Finance, Recognition and Registration represent the sub functions which falls under those main functions.

4. Revenue and expenditure analysis

4.1. Income

4.1.1. Income trends

Table 1: income trends

	2017/18	2018/19	2019/20	Total	CAGR
SAQA	120 477	123 307	134 137	377 921	6%
CHE	70 188	59 118	74 195	203 500	3%
QCTO	100 172	123 100	128 482	351 754	13%
Total	290 836	305 524	336 814	933 175	8%

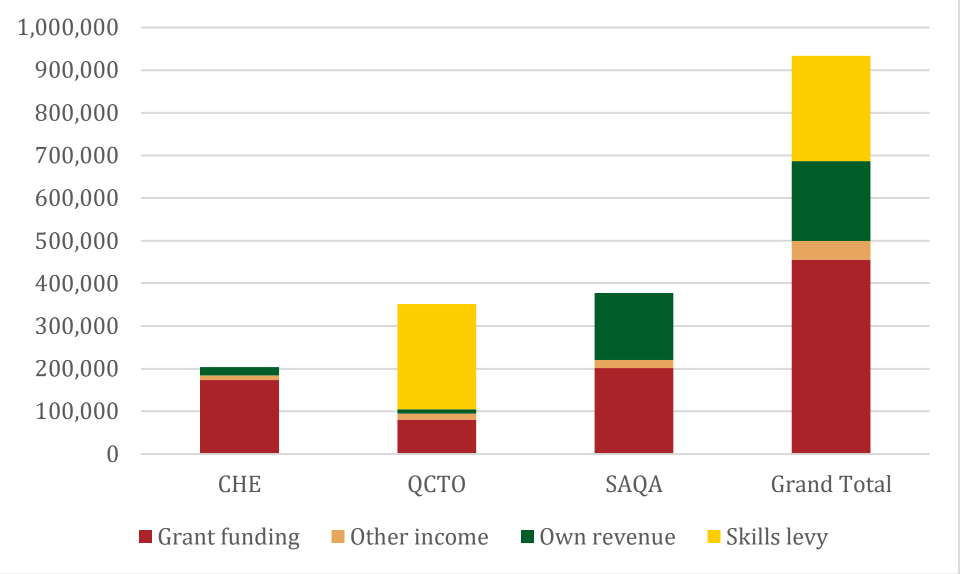
For the period under review, NQF institutions had total revenue of R933 million. Their revenue grows at an average rate of 8 per cent, from R290 million in 2017/18 to R336 million in 2019/20. SAQA had the biggest chunk of revenue (R377 million) compared to other entities mainly from transfer from the department. This is followed by QCTO with the total revenue of R351 million which mainly from the sector education and training authorities.

The CHE total revenue only grows at an average rate of 3 percent from R70 million in 2017/18 to R74 million in 2019/20. The council has experienced a steady reduction in its grant transfer which has resulted in a significant budget shortfall to fund the core programmes. For these years, the reduction in the grant baseline was partially made up for by an increase in exchange revenue, primarily from accreditation fees levied on private higher education institutions.

Expenditure for QCTO grows average rate of 13 per cent from R100.1 million in 2017/18 to R128.5 million in 2019/20. This mainly driven by funds from sector education and training authorities which are used for the quality assurance function of skills and training programmes.

4.1.2. Sources of income

Figure 5: Types of revenue



NQF institutions receive money appropriated by Parliament to enable them to fulfil their mandate in terms of the Act. As a statutory bodies, each entity is responsible for the resources allocated to them. For the period under review, these institutions derived 50 per cent or R455.6 million of their revenue through transfer from department of higher education and training. The graph above shows that although NQF Institutions generate their own revenue, they depend mostly on government funding.

The NQF institutions also generate their own revenue from exchange transactions. QCTO generates 70 per cent (R247 million) of their revenue from SETAs for the provision of quality assurance for skills and training programmes. The remainder of the council's revenue is set to be derived through interest on investments and transfer payment from the department.

The CHE derive its own revenue from fees charged for accreditation services provided to private higher education institutions. For the period under review, revenue received from accreditation fees amounts to R19.5 million or 10 per cent of their total revenue. 85 per cent or 173 million of their total revenue comes from departmental transfer. This clearly show that CHE depend on mostly on government funding.

Revenue generated by SAQA's from the evaluation of foreign qualifications, fees from professional bodies and for the verification of national qualifications account for 5 per cent or R19.5 million of their total revenue. The entity also received or 53 per cent of their total revenue from government.

Other revenue generated by entities are because of sundry income: all income not related to normal business operations such as interest on investments. For the period under review, revenue from sundry income amount to R44 million or 5 per cent of their total revenue.

4.2. Aggregate expenditure

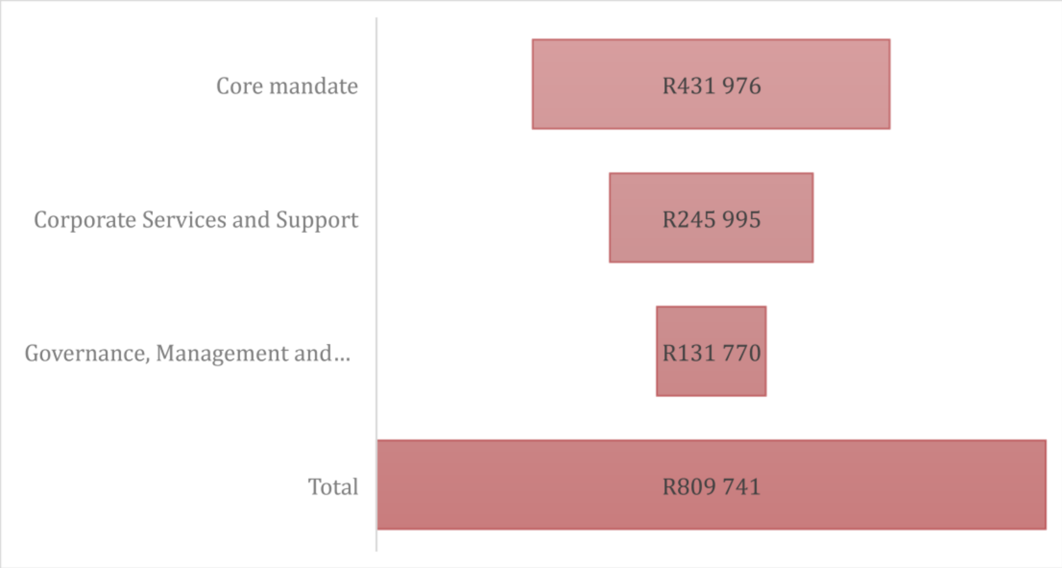
Table 2: Aggregate expenditure

	2018	2019	2020	Grand Total	CAGR
CHE	57 932	58 808	65 783	182 523	7%
QCTO	71 530	89 165	115 256	275 951	27%
SAQA	110 606	114 125	126 536	351 267	7%
Grand Total	240 068	262 097	307 575	809 741	13%

During the period under review, NQF institutions spend R809.7 million. Their expenditure grows at an average rate of 13 per cent between 2017/18 to 2019/20, which higher than their revenue average growth rate of 8 per cent.

SAQA expenditure grows at an average rate of 7 per cent which assert to their revenue growth rate of 6 per cent. QCTO expenditure grows at an average of 27 per cent due to high demand from SETAs on quality assurance for skills and training programmes. Expenditure for CHE grows at an average rate of 7 per cent which higher than their revenue average growth rate of 3 per cent.

Figure 6: expenditure per function



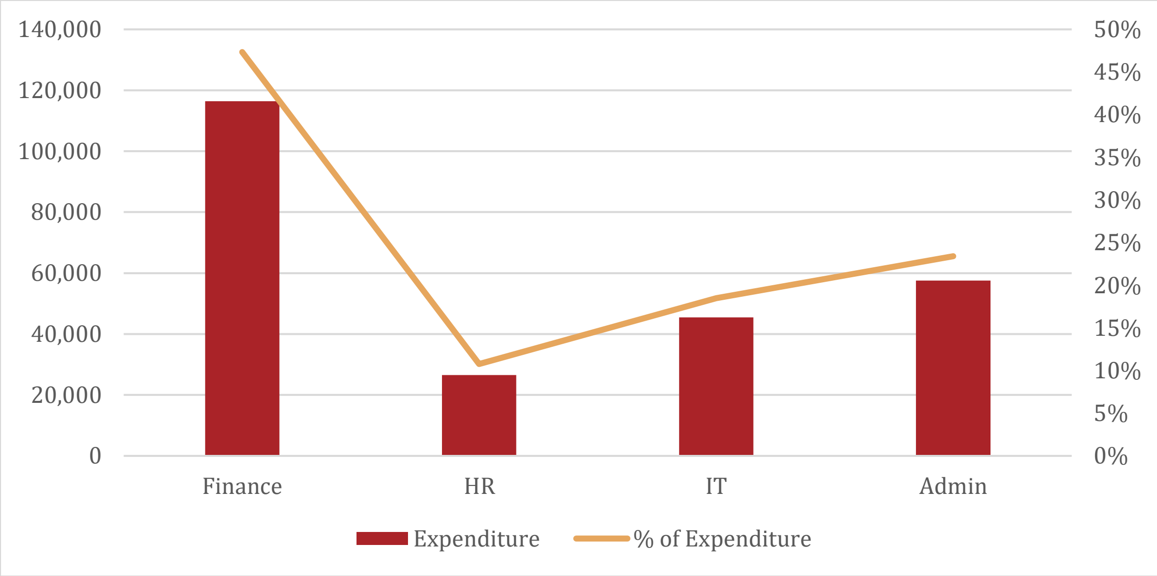
NQF institutions spend money on three main functions: Core mandate, Corporate Services and Support and Governance and management support. For the period under review, Entities spend R431 million or 53 per cent of their total expenditure on core mandate. Core mandate expenditure is mainly driven by Qualification design, development and management and Accreditation and quality assurance activities.

Entities spend R131.8 million or 16 per cent of their total expenditure on Governance, Management and Executive Management, whereas they spent R246 million or 30 of their total expenditure. The Analysis of corporate and support will be discussed in the next section below.

4.3. Analysis of corporate services and support

During our grouping and categorisation of data, we found that corporate services and support branch for the NQF institutions comprises of Finance, Human Resources, Information Management & Technology and Administration as their main sub-directorates.

Figure 7: corporate services and support expenditure



4.3.1. Corporate Service - Finance

By looking at the table above, NQF institutions spend most of their corporate services budget on finance as a sub function. They spent 47 per cent or R116.5 million of their corporate services on this function. The big spending drivers in this function are supply chain management and audit costs.

4.3.2. Corporate services – HR

While doing our analysis, we found that the HR unit comprise of the following main directorates; Human Resource Management (HRM) and Human Resource Development (HRD). Entities spend R26 million or 11 per cent of their corporate services Human Resources.

4.3.3. Corporate services - IT

Institutions spend R45 millions or 18 per cent of their corporate service budget on Information Management & Technology. This unit support NQF institutions in the efficient and effective use of information and communications technology (ICT).

4.3.4. Corporate services – Admin and other

This function includes mainly the costs associated to buildings such as rentals, water, and electricity, cleaning services. Other items relate to advertising and promotions. This is essentially corporate marketing expenditure incurred for the branding and messaging of an entity, from the mission statement to advertisement language.

4.3.5. Year-on-Year growth of the expenditure on corporate services

The table below reflects the Y-o-Y growth of the expenditure on corporate services for the period 2018/19 to 2020/21.

Table 2: Year-on-year growth

	Financial years				Year-on-year		
	2017/18	2018/19	2019/20	Total	2017/18-2018/19	2018/19-2019/20	CAGR
Inflation	5%	4%	3%				4%
CHE	**16 793**	**20 650**	**22 959**	**59 402**	**19%**	**10%**	**17%**
Corporate Service - Admin	5 517	3 200	3 056	11 773	-72%	-5%	-26%
Corporate Services - Finance	7 836	12 123	14 973	34 932	35%	19%	38%
Corporate Services - HR	2 436	2 668	3 052	8 156	9%	13%	12%
Corporate Services - IT	1 004	2 659	1 878	4 542	62%	-42%	37%
QCTO	**31 241**	**24 678**	**35 915**	**89 674**	**-27%**	**31%**	**7%**
Corporate Services - Finance	10 796	9 968	22 678	43 442	-8%	56%	45%
Corporate Services - HR	2 694	1 288	1 424	4 246	-109%	10%	-27%
Corporate Services - IT	4 937	3 435	3 963	11 336	-44%	13%	-10%
Corporate Services - Admin	12 812	9 987	7 851	30 650	-28%	-27%	-22%
SAQA	**29 809**	**31 812**	**35 298**	**96 919**	**6%**	**10%**	**9%**
Corporate Service - Admin	4 094	5 211	5 864	15 168	21%	11%	20%
Corporate Services - Finance	12 350	12 641	13 087	38 078	2%	3%	3%
Corporate Services - HR	4 193	4 698	5 199	14 090	11%	10%	11%
Corporate Services - IT	9 173	9 262	11 149	29 584	1%	17%	10%
Total	**77 843**	**74 980**	**93 172**	**245 995**	**-4%**	**20%**	**9%**

The corporate services expenditure is growing at an average rate of 9 per cent that is higher than average inflation of 4 per cent between 2017/18 and 2019/20 financial year. CHE corporate services grow at an average rate of 17 per cent whereas SAQA and QCTO grows at an average rate of 9 and 7 per cent respectively.

5. Human Resources Analysis

The human resources data used for analysis was collected from the public entities' payroll and the human resource budget plans for the public entities.

According to the 2020/21 human resource budget plans for public entities, 248 people are employed across the three NQF institutions – SAQA, the CHE and QCTO. Of this, the QCTO is the largest entity in terms of the staff complement with a total headcount of 116, followed by SAQA with 81 people.

Table 3: NQF institutions staff complement

	SAQA	CHE	QCTO	Total
Corporate Services and Support	30	20	31	81
Core mandate	37	27	75	139
Governance, Management and Executive Management	14	4	10	28
Total	81	51	116	248

Approximately 139 people or 56 per cent of total staff are working for core business of the institutions while 32 per cent or 81 of people are working for corporate services and support. The remaining 11 per cent is appointed under governance, management, and executive management.

Table 4: Corporate services staff complement

Corporate Services	SAQA	CHE	QCTO	Total
Corporate Services - Admin	5	7	13	25
Corporate Services - HR	5	3	5	13
Corporate Services - IT	10	3	3	16
Corporate Services - Finance	10	7	10	27
Total	30	20	31	81

81 people are working under corporate services and support across all three institutions. Corporate services – finance as a sub function have the largest staff complement of 27.

Majority of this people are appointed in supply chain management and the office of the chief financial officer. This is followed by corporate services admin with a headcount of 25. Lastly, corporate services IT and HR with a total headcount of 16 and 13 respectively.

Between 2017/18 and 2019/20, NQF institutions spent R517 million on compensation of employees. Although QCTO is the highest in terms of the staff complement, SAQA had the highest compensation of employees of employee's expenditure.

Table 5: Corporate services expenditure between 2017/18 – 2019/20

	Corporate Services CoE				Total CoE				
	2017/18	**2018/19**	**2019/20**	**Total**	**2017/18**	**2018/19**	**2019/20**	**Total**	**CS as %Total CoE**
CHE	16 500	16 706	18 525	51 731	33 046	32 279	36 136	101 461	51%
SAQA	30 084	31 817	34 738	96 639	79 321	86 093	98 680	264 094	37%
QCTO	16 476	15 594	19 638	51 708	42 140	49 738	59 696	151 574	34%
Total	63 060	64 117	72 901	200 078	154 507	168 110	194 512	517 129	39%

At the same period, NQF institutions spent R200 million or 40 per cent of their compensation of employees on corporate services and support. CHE spent more than half of their compensation of employees on support staff. SAQA and QCTO spent 37 and 34 per cent of their total Compensation of employees on corporate services and support.

6. Costing a Shared Corporate Services

Working on the information gathered from the Estimates National Expenditure, management accounts and payroll, we have modelled the cost savings from reducing the number of employees across all three institutions through shared corporate service centre.

The following are the main elements that were covered when costing a shared corporate service:

- *General assumptions* – Contains assumptions relating compensation of employee's budget and headcount that are used in the HRBP over the Medium-term.
- *Scenarios* – provide different options that can be used in a shared corporate services model.
- *Other options* – relate to items that potential efficiency gains can be realised if the shared corporate service is implemented. This are items that could not be costed.

The scenarios show the cost of maintaining the status quo with regards to the corporate service functions. It also shows how efficiency gains in certain areas of corporate services and support can be achieved in two scenarios, shown over the MTEF, from 2022/23 to 2024/25.

Table 6: different scenarios

Corporate Services	Status quo				Scenarios	
	SAQA	CHE	QCTO	Total	Marginal (10%)	Moderate (20%)
Corporate Services - Admin	5	7	13	25	3	5
Corporate Services - HR	5	3	5	13	1	3
Corporate Services - IT	10	3	3	16	2	3

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Corporate Services - Finance	10	7	10	27	3	5
Total	30	20	31	81	8	16

- *Status quo*: The National Qualification Framework Institutions will have staff complement of 81working under corporate services and support if status quo is maintained.
- *Marginal reduction:* If the shared corporate service model is implemented, 8 people or 10 per cent of the staff can be laid off which results to entities only retain 65 people working in corporate service function.
- *Moderate reduction:* we regard this as the worst-case scenario where 20 per cent of the staff or 16 people can be laid off from corporate services and support.

6.1. Potential efficiency gains: Compensation of employees

In the next section, we then calculate how much can be saved on compensation of employees: Headcount X average expenditure (Unit cost) on personnel. The unit cost: Total CoE budget/ No. of workers. The potential saving is calculated as: No.of workers to be laid off x unit cost.

Table 7: potential savings

	2022/23	2023/24	2024/25	Total
Total Budget	R76 728	R80 027	R83 864	R240 619
Actual staff	81	81	81	
Unit cost	R947	R980	R1035	
Potential saving: Moderate (10%)	R7 576	R7 840	R8 280	R23 696
Potential saving: Marginal (20%)	R15 152	R15 680	R16 560	R47 392

- It must be noted that about R240 million will cost the NQF institutions on compensation of employees: corporate services and support over MTEF if maintaining the status quo. However,
- Potential efficiency gains totalling ±R23.7 million can be realised over the MTEF if marginal scenario for shared corporate services is implemented. In the worst-case scenario, these institutions may save ±R47.9 million on corporate services. Of course, this would mean a reduction of about 10 or 20 per cent in personnel servicing corporate

services and support, but such a reduction is possible through recruitment freezes, attrition, voluntary severance packages, etc.

6.2. Other areas of potential savings to consider

The shared services centre could enable the entities to realise potential savings aside from compensation. These are the areas that we could not cost in the spending review, as results not included in the scenarios. The following are the items for potential savings if shared corporate services model is implemented:

- There are other variable overhead costs incurred by the employees when delivering services. This are the costs related to goods and services such as computer costs, water and electricity, consumables, and travel costs. If there are fewer corporate service employees, institutions would make saving on this overhead costs
- In addition, each entity has an office building that they are either rent or own. SAQA owns the building it uses. There might be some potential to save if all entities used one office building, Savings would come from rent, the costs such as rates and taxes, insurance, cleaning, security, repairs, and maintenance.

Governance and management represent the capabilities that integrate the governance, management and assurance of performance, risk, and compliance activities of National Qualification Framework. The board may also have audit and compensation sub-committees. The members of the committee will be subsets of the board and report back to the board of directors on specific issues.

For the period between 2017/18 – 2019/20, National Qualification Framework Institutions spent R131 million on Governance Management and Support. A potential efficiency gains can be realised if the activities associated to governance, risk and compliance are shared amongst these entities.

Furthermore, each National Qualification Framework Institutions has its own board of directors as required by the Act. A one board of directors that oversee three entities may result on a potential saving to board costs and other costs associated to oversight. However, this will need a legislative change which require a lengthy consultation process.

7. Insights and considerations

The very high level of spending on Administration budget in National Qualification Framework Institutions which is SAQA, CHE and QCTO – put a positive gloss that a shared services centre could reduce spending on corporate services in two ways – reducing personnel and streamlining functions like procurement etc.

There are potential savings from centralising corporate service functions in a shared services centre for all three entities. Over the medium term, this would make a cost saving of ±R23.7 million under a marginal scenario and ±R47.9 million under a moderate scenario.

NQF institutions should therefore be encouraged to adopt a more streamlined service delivery model for its corporate services and use e.g., recruitment freezes, attrition, and voluntary severance packages to achieve necessary optimization. Consideration should also be given to having a single corporate/support service function for NQF institutions.