



PROVINCIAL TREASURY CIRCULAR NO. 67 OF 2020

TO:

DIRECTOR-GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA: VOTE 1: (MS SP XULU)
HEAD: PROVINCIAL TREASURY: VOTE 3: (MS GUGU MASHITENG)
ACTING HEAD: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: VOTE 4:
(MR S NGUBANE)
ACTING HEAD: AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL
AFFAIRS: VOTE 5: (DR MC DAGADA)
HEAD: ECONOMIC DEVELOPMENT AND TOURISM: VOTE 6: (MR S MTSWENI)
ACTING HEAD: EDUCATION: VOTE 7: (MR JR NKOSI)
ACTING HEAD: PUBLIC WORKS, ROADS AND TRANSPORT: VOTE 8: (MR MC MOROLO)
HEAD: COMMUNITY SAFETY, SECURITY AND LIAISON: VOTE 9: (MS B NKUNA)
HEAD: HEALTH: VOTE 10: (DR S MOHANGI)
HEAD: CULTURE, SPORT AND RECREATION: VOTE 11: (MR GS NTOMBELA)
ACTING HEAD: SOCIAL DEVELOPMENT: VOTE 12: (MS LH MOYANE)
HEAD: HUMAN SETTLEMENTS: VOTE 13: (MR DS NKOSI)

ACTING CHIEF FINANCIAL OFFICER: OFFICE OF THE PREMIER: VOTE 1: (MR B P DLALISA)
CHIEF FINANCIAL OFFICER: PROVINCIAL TREASURY: VOTE 3 (MR MA KHOZA)
ACTING CHIEF FINANCIAL OFFICER: VOTE 4: CO-OPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS: VOTE 4: (MR N MASONDO)
CHIEF FINANCIAL OFFICER: AGRICULTURE, RURAL DEVELOPMENT, LAND AND
ENVIRONMENT AFFAIRS: VOTE 5: (MR M LETSWALO)
CHIEF FINANCIAL OFFICER: ECONOMIC DEVELOPMENT AND TOURISM: VOTE 6:
(MS H THRUSH)
ACTING CHIEF FINANCIAL OFFICER: EDUCATION: VOTE 7: (MR D SHIPALANE)
CHIEF FINANCIAL OFFICER: PUBLIC WORKS, ROADS AND TRANSPORT: VOTE 8:
(MS H MDAKA)
CHIEF FINANCIAL OFFICER: COMMUNITY SAFETY, SECURITY AND LIAISON: VOTE 9
(MS S SEFALA)
CHIEF FINANCIAL OFFICER: HEALTH VOTE 10: (MR P MAMOGALE)
ACTING CHIEF FINANCIAL OFFICER: CULTURE, SPORT AND RECREATION: VOTE 11:
(MR M THOBELA)
CHIEF FINANCIAL OFFICER: SOCIAL DEVELOPMENT: VOTE 12: (MS B MOJAPELO)
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ACTING CHIEF EXECUTIVE OFFICER: MPUMALANGA ECONOMIC GROWTH AGENCY (MR MI
MAHLANGU)
THE CHIEF EXECUTIVE OFFICER: MPUMALANGA ECONOMIC REGULATOR
(MR BJ MLAMBO)
THE CHIEF EXECUTIVE OFFICER: MPUMALANGA TOURISM AND PARKS AGENCY (MR BJ
NOBUNGA)
THE CHIEF EXECUTIVE OFFICER: MPUMALANGA REGIONAL TRAINING TRUST
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CHIEF FINANCIAL OFFICER: MPUMALANGA TOURISM AND PARKS AGENCY
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CHIEF FINANCIAL OFFICER: MPUMALANGA REGIONAL TRAINING TRUST
(MR J MBUYISENI)

PUBLIC ENTITY GUIDELINES AND BUDGETING FOR COMPENSATION OF EMPLOYEES: 2021 MTEF

The purpose of this Circular is to reiterate National Treasury's Public Entity guidelines for costing and budgeting for Compensation of Employees for the preparation of expenditure estimates for the 2021 Medium Term Expenditure Framework (MTEF). Attached is National Treasury's guidelines to that effect.

Entities are requested to implement the 6.1% cut on Compensation of Employees budget for the 2020 MTEF and surrender the funds back to Provincial Treasury by 13 November 2020.

Your co-operation in this regard is appreciated.

Regards



MS GUGU MASHITENG
HEAD: PROVINCIAL TREASURY
DATE: 02/11/2020



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PUBLIC ENTITY GUIDELINES FOR COSTING AND BUDGETING FOR COMPENSATION OF EMPLOYEES

FOR THE PREPARATION OF EXPENDITURE ESTIMATES FOR THE
2021 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

National Treasury

October 2020

1 Introduction

- 1.1 While public entities across national and provincial spheres of government have not implemented explicit compensation ceilings, National Treasury considers it prudent that they adopt and adhere to all central instructions relating to compensation management and associated cost savings measures.
- 1.2 As with departments at the national sphere of government, public entities are also expected to manage and monitor implementation of compensation budgets and headcount numbers with the view to identify sources of cost pressures so that corrective measures can be taken.
- 1.3 These guidelines provide additional information and guidance applicable to Public Entities over and above generic requirements applicable to departments.

2 Public Entity Compensation Budget Reductions – 2020/21 and 2021 MTEF

- 2.1 South Africa currently faces poor economic and fiscal performance. As a result, current staff establishment and associated compensation budgets are no longer affordable. A decision has, therefore, been taken by the Cabinet to cut compensation budgets with the view to improve sustainability of public finances.
- 2.2 At the tabling of the 2020 budget, the Minister of Finance made an announcement that compensation of employees budgets would be cut by R160.2 billion over the 2020 MTEF. These reductions would be distributed between departments and public entities at both national and provincial spheres of government.
- 2.3 COVID-19 gave rise to further challenges, as the economy has now deteriorated further and the fiscal position has worsened. As a result, further reductions to compensation budgets have been introduced. The table below shows proposed reductions affecting public entities for 2020/21 and over the 2021 MTEF.

Table 1: 2020 MTEF Compensation Budget Baselines and Reductions

MTEF (R'000)	2020/21	2021/22	2022/23	2023/24
Original COE baselines	65 841 901	69 889 064	74 010 631	
2020 MTEF reductions	-1 199 466	-1 760 192	-2 182 652	
2021 MTEF reductions*		-785 328	-1 043 184	-1 889 372

* - Reductions for the 2021 MTEF are applied on reduced baselines from the 2020 MTEF reductions. The 2023/24 financial year budgets are arrived at by first increasing the 2022/23 compensation budgets by 4.4 per cent before they are reduced by 8 per cent

- 2.4 All public entities should implement compensation budgets reductions as announced by the Minister of Finance. Reductions implemented for public entities as detailed above have been distributed among those that receive transfers from the fiscus. Reductions applied on compensation budgets are arrived at considering the proportion of compensation of employees and transfers received by each entity on the total budget of the entity.

- 2.5 To contribute towards the fiscal consolidation objective, public entities not receiving transfers from the fiscus (that is, those generating own revenue) are expected to implement the same compensation budget reductions applying to the rest of public entities as follows:

Table 2: 2020 MTEF Compensation Budget Reductions Parameters

MTEF PERIOD	2020/21	2021/22	2022/23	2023/24
2020 MTEF	-6,1%	-8,3%	-9,7%	
2021 MTEF*		-3,7%	-4,6%	-8,0%

* - Reductions for the 2021 MTEF are applied on reduced baselines from the 2020 MTEF reductions. The 2023/24 financial year budgets are arrived at by first increasing the 2022/23 compensation budgets by 4.4 per cent before they are reduced by 8.0 per cent

- 2.6 Public entities not receiving transfers and those receiving partial transfers from the fiscus will be expected to keep these savings within their bank accounts until a central decision is taken on how these funds are to be utilised. Public entities receiving partial transfers have been sent allocation letters indicating reductions effected on compensation of employees. The difference between these reductions and those generated from computations described in Table 2 above is also to be kept within their bank accounts until further communication.

3 Wage Agreements

- 3.1 For departments at the national and provincial spheres of government, the 2020/21 last leg of the agreement has not been implemented. Government and Organised Labour are engaging with a view to resolve the current wage impasse and other salient matters with a view to reaching an amicable solution. Government will allow these engagements to unfold, while working on measures to manage the wage bill to ensure fiscal sustainability and provision of services to South Africans.
- 3.2 As with decisions that have been taken with respect to Public Service Act employees, all public entities are advised to engage with Labour at respective sectoral bargaining councils to suspend salary adjustments both in-year and over the 2021 MTEF considering the economic and fiscal challenges the country faces
- 3.3 In view of the above, and for the purposes of the current budget process, the following indicative parameters are relevant for compiling personnel budgets for public entities:

Cost of living adjustments

- 3.3.1 The cost-of-living adjustment in 2020/21 is as follows:
- 0% for all staff
- 3.3.2 The cost-of-living adjustment in 2021/22 is as follows:
- 0% for all staff
- 3.3.3 The cost-of-living adjustment in 2022/23 is as follows:
- 0% for all staff

3.3.4 The cost-of-living adjustment in 2023/24 is as follows:

- 0% for all staff

Medical Allowance (where applicable)

3.3.5 As per the relevant sectoral wage agreements and public entity-specific remuneration policies.

Housing Allowance (where applicable)

3.3.6 As per the relevant sectoral wage agreements and public entity-specific remuneration policies.

Performance bonus (where applicable)

3.3.7 As per the relevant sectoral wage agreements and public entity-specific remuneration policies.

Progression rates (where applicable)

3.3.8 Progression factors are as per the relevant sectoral wage agreements and public entity-specific remuneration policies.

TABLE 3: COLA ESCALATION FACTORS - NON-SENIOR MANAGERS NOT ON TCE

PAYMENT ITEM	2020/21	2021/22	2022/23	2023/24
S&W: BASIC SALARY	0%	0%	0%	0%
S&W:HOUSING ALLOWANCE	As per the remuneration policy			
S&W:OVERTIME	0%	0%	0%	0%
EMPL CONTR:MEDICAL	As per the remuneration policy			
EMPL CONTR:PENSION	0%	0%	0%	0%
S&W:PERFORMANCE BONUS	0%	0%	0%	0%
ALL OTHER	CPI	CPI	CPI	CPI

Escalation factors for senior managers

3.3.9 Escalation factors applicable to senior managers are detailed in Table 4

TABLE 4: COLA ESCALATION FACTORS FOR SENIOR MANAGEMENT

PAYMENT ITEM	2020/21	2021/22	2022/23	2023/24
S&W: BASIC SALARY	0%	0%	0%	0%
S&W:HOUSING ALLOWANCE	0%	0%	0%	0%
S&W:OVERTIME	0%	0%	0%	0%
EMPL CONTR:MEDICAL	0%	0%	0%	0%
EMPL CONTR:PENSION	0%	0%	0%	0%
S&W:PERFORMANCE BONUS	0%	0%	0%	0%
ALL OTHER	CPI	CPI	CPI	CPI

4 Public Entity Personnel Database for National Departments

- 4.1 No changes have been effected to the national public entity personnel database. Information relating to completion of the database are contained therein.
- 4.2 Taking account of the compensation budget reductions parameters referred to above, all public entities are expected to actively manage earnings and headcount to ensure they remain within the reduced compensation budgets.
- 4.3 Public entities experiencing serious underlying pressures which may compromise their ability to remain within reduced compensation budgets should still have their personnel databases balanced but provide an explanation of the extent of additional pressures and their implications in a narrative.
- 4.4 The narrative referred to above should indicate the number of posts that cannot be provided for within available compensation budgets, distinguishing between posts that are already filled and those they plan to fill. The details should be provided per salary grade, including implications of not filling such posts for service delivery.

5 Technical Issues

- 5.1 New compensation budget estimates must be generated for the 2023/24 financial year as described in Table 2 above. This compensation budget limit should be observed and cannot be breached. Breaching the compensation budget limit amounts to financial misconduct and will attract relevant sanctions.
- 5.2 Public entities must ensure alignment between compensation of employees budgets and personnel headcount. Unrealistic submissions with evidence of poor attempt at managing costs downwards amount to non-compliance.
- 5.3 The 2021 MTEF indicative baseline does not provide for general funding of new posts, except in cases where individual public entities were specifically allocated funding to create new critical posts in the 2020 MTEF or where public entities have effected savings within their compensation budgets.
- 5.4 Effective management of work that is outsourced to consultants is also important. Consultants should not be hired to do the work that should be done by staff employed within public entities. That is, all personnel in public entities should be fully utilised to avoid unnecessary use of consultants. Public entities should ensure that the following measures are taken into account when budgeting for compensation of employees:
 - 5.4.1 Any relevant Ministerial determinations and directives
 - 5.4.2 Sectoral bargaining councils agreements – where relevant
 - 5.4.3 Cabinet decisions relating to remuneration and personnel management matters and expansion of mandates
 - 5.4.4 Any relevant Treasury circulars

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