



**SELECT COMMITTEE ON FINANCE**  
*PRESENTATION ON THE 2014-2019  
STRATEGIC PLAN AND  
2015-2016 ANNUAL PERFORMANCE PLAN OF THE FFC*

---

22 September 2015

# CONTENTS

---

- Introduction
  - Strategy Development Process
    - Stakeholder Analysis
    - Internal Scan
    - External Environmental Scan
    - Risks
  - Strategic Outcome-Oriented Goals
  - Measurable Strategic Objectives and Deliverables
  - Outcome-orientated Strategic Objectives
  - Strategy for Research for the next five years
- Budget
- Five year financial performance analysis
- Conclusion

# INTRODUCTION

---

## Establishment

- Section 220 of the Constitution of the Republic of South Africa, 1996 (as amended)
- Independent, juristic person subject only to the Constitution, Financial and Fiscal Commission Act, 1997 (Act No 99 of 1997) (as amended) and relevant legislative prescripts

## Mandate

- Acts as a consultative body, makes recommendations and gives advice to Parliament, provincial legislatures, organised local government and other organs of State on the equitable division of revenue among the three spheres of government and on any other financial and fiscal matters in terms of the Constitution and as provided for in national legislation

# INTRODUCTION

---

## Vision

To provide influential advice for an equitable, efficient and sustainable Intergovernmental Fiscal Relations System

## Mission

To provide proactive, expert and independent advice on promoting a sustainable and equitable Intergovernmental Fiscal Relations system, through evidence-based policy analysis to ensure the realisation of our constitutional values

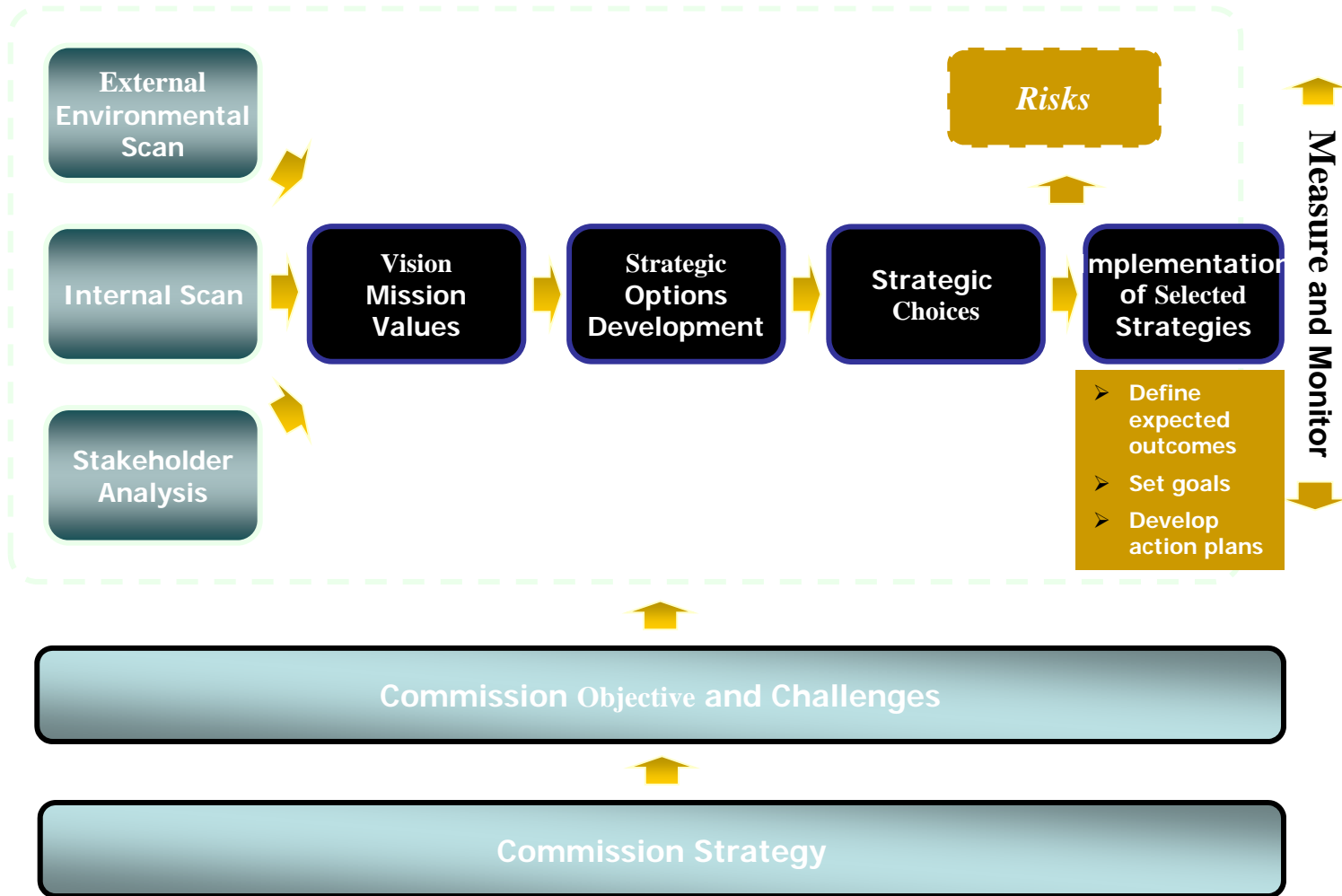
# INTRODUCTION

---

## Regulatory Framework

- Constitution, 1996
- Financial and Fiscal Commission Act, 1997 (Act No 99 of 1997) (as amended)
- Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997) (IGFR Act)
- Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No 9 of 2009)
- Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) (as amended)
- Provincial Tax Regulation Process Act, 2001 (Act No 53 of 2001)
- Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) (as amended)
- Intergovernmental Fiscal Relations Framework Act, 2005 (Act No 13 of 2005)
- Municipal Fiscal Powers and Functions Act, 2007 (Act No 12 of 2007)
- Borrowing Powers of Provincial Government Act, 1996 (Act No 48 of 1996)

# STRATEGY DEVELOPMENT PROCESS



# STAKEHOLDER ANALYSIS

---

- The 2016 local government elections will introduce a proportion of new legislators and members of executives some of whom will not, in varying degrees, be familiar with South African intergovernmental relations policy and practice
- Bringing these new entrants up to speed in the shortest possible time will be key to ensuring that appropriate policy decisions are made and the benefits that are intended to flow from them are not delayed
- The Commission is constantly addressing ways in which it can address the three spheres of Government in the execution of its constitutional mandate

# INTERNAL SCAN

---

- The Commission is of the view that the following will have an impact on its performance:
  - Implementation of the New Delivery Model is urgent to respond to output quality issues and budget pressures
  - Overcoming the skills shortage in the financial and economic analysis domains which are core for the delivery of quality and relevant products by the Commission
  - The need to keep up to date with technological changes and invest in specialist research technologies that are mission critical for the work of the Commission
  - Cost of compliance, which remains high
  - threat to the eradication of the legacy deficit because of the National Treasury sanctioned 1% reduction in baseline allocation of the Commission over the MTEF, and the need for discerning use of the Commission's resources



# EXTERNAL ENVIRONMENTAL SCAN

---

- The Commission is of the view that the following will have an impact on the future direction of the IGFR system
  - Domestic economic factors namely power outages and so forth
  - The New Growth Path and the National Development Plan adopted by Government which aim to introduce far reaching interventions to deal with poverty, inequality and employment
  - Impact of the Parliamentary Budget Office on the budget process and on how the Commission conducts its work

# RISKS

---

- A historical financial deficit which National Treasury has gone some way in addressing through revision of the Commission's MTEF Baseline Allocation and ever decreasing resources
- An exponential increase in the demand for the Commission's services by stakeholders precipitated by the Commission's proactive stakeholder management approach
- Budget constraints in implementing adequate information technology systems. In a research driven environment like the Commission, access to up to date data and information systems is mission critical. In the light of past and continuing financial pressures, appropriate investment has often been deferred
- The high cost of compliance to certain legislative prescripts namely Use of Official Languages Act, 2012 Promotion of Access to Information Act, 2000 (as amended), National Archives and Record Service of South Africa Act, 1996
- The difficulty in attracting and retaining suitable research expertise and obtaining the specialist technical skills required as there is not a large pool from which to recruit talent

# STRATEGIC OUTCOME-ORIENTATED GOALS

1	Goal 1	A Stable and Innovative IGFR System
	Goal Statement	<b>The system of Inter-governmental Fiscal Relations (IGFR) is progressive, sustainable and equitable</b>
2	Goal 2	Strategic foresight
	Goal Statement	<b>“No surprises” and future-oriented</b>
3	Goal 3	Influential and informed policy advice
	Goal Statement	<b>Effective policies that are evidence-based result from comprehensive and value-added engagement</b>

# STRATEGIC OUTCOME-ORIENTATED GOALS

4	Goal 4	Knowledge management
	Goal Statement	<b>Relevant knowledge that enhances developmental impact is created and mobilised through the balance of internal and external specialist talent commensurate with the needs of the Commission</b>
5	Goal 5	“Success” culture
	Goal Statement	<b>A dynamic, productive organisational culture is created and nurtured</b>
6	Goal 6	Balance
	Goal Statement	<b>The balancing of present and future demands, leading to effective performance within the constraints of available resources</b>

## MEASURABLE STRATEGIC OBJECTIVES AND DELIVERABLES

<b>STRATEGIC OBJECTIVE</b>	<b>DELIVERABLE</b>
Profile the Commission with a special focus on the Commission's Mandate, Vision, Mission and Role; the Commission's Short and Long-Term Strategy; the Commission's position on specific issues; and the Commission's Challenges and Achievements	Dissemination of Commission proffering's, engagement with stakeholders and issues management
To ensure that Commission research is converted to policy advice and recommendations written in language that policymakers can understand	Accessible Commission profferings
To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices	Better stewardship of public funds/Value for Money

## MEASURABLE STRATEGIC OBJECTIVES AND DELIVERABLES

<b>STRATEGIC OBJECTIVE</b>	<b>DELIVERABLE</b>
To ensure the progressive and innovative management of human resources that attracts, develops and retains key talent, and leverages external expertise	People organised effectively for performance
To ensure the coordinated, coherent, high-quality, innovative and cost-effective approach to ICT that meets the needs of the Commission, the Commission Secretariat and stakeholders	ICT organised effectively for performance
To ensure the coordinated, cost-effective and innovative management of Commission assets in support of delivery on the Commission's mandate	Space, infrastructure, people and organization effectively co-ordinated for performance

## MEASURABLE STRATEGIC OBJECTIVES AND DELIVERABLES

<b>STRATEGIC OBJECTIVE</b>	<b>DELIVERABLE</b>
Compliance with legislation and adherence to relevant corporate governance best practise	Commitment to legal and ethical standards, and doing the right thing
To ensure superior performance	Consistent attainment of organisational goals
To ensure the creation of new knowledge, the institutionalization of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system	Advancement of IGFR Knowledge
To ensure prudent and transparent management of the financial resources of the Commission	Organisational agility through the allocation of scarce resources amongst competing interests and opportunities
To ensure access to alternative sources of funding	Cooperating to create and/or acquire knowledge

## OUTCOME- ORIENTATED STRATEGIC OBJECTIVES

### **Strategic Objective 5.1 : Stakeholder Perspective**

5.1.1	To profile the Commission with a special focus on the Commission's Mandate, Vision, Mission and Role, the Commission's Short- and Long-Term Strategy, the Commission's position on specific issues, the Commission's Challenges and Achievements
5.1.2	To ensure that Commission research is converted to policy advice and recommendations written in a language that is accessible to policymakers
5.1.3	To ensure that policy advice and recommendations respond timeously and proactively to the environment and to the dynamic needs of stakeholders
5.1.4	To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices
5.1.5	To produce evidence-based results



## OUTCOME- ORIENTATED STRATEGIC OBJECTIVES

### **Strategic Objective 5.2: Internal Business Processes**

5.2.1	To ensure the progressive and innovative management of human resources that attracts, develops and retains key talent, and leverages external expertise
5.2.2	To ensure the coordinated, coherent, high-quality, innovative and cost-effective approach to ICT that meets the needs of the Commission, the Commission Secretariat and stakeholders
5.2.3	To ensure the coordinated, cost-effective and innovative management of Commission assets in support of delivery on the Commission's mandate
5.2.4	To ensure compliance with legislation and adherence to relevant corporate governance best practice
5.2.5	To ensure superior performance

## OUTCOME- ORIENTATED STRATEGIC OBJECTIVES

### **Strategic Objective 5.3: Learning and Innovation**

5.3.1	To ensure the creation of new knowledge, the institutionalization of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system
5.3.2	To ensure the coordinated, cost-effective and innovative acquisition and management of Commission data, information and knowledge resources in support of delivery on the Commission's mandate

# STRATEGY FOR RESEARCH FOR THE NEXT FIVE YEARS....CONTINUED

---

- Over 2014-2019 the Commission identified the area the area of “IGFR in Support of National Development”
  - In 2014/2015 the Commission considered IGFR and Infrastructure
  - In 2015/2016 “IGFR instruments and Rural development
  - In 2016/2017 per-urban
  - 2017/2018 Urban
- 2015-2016: “IGFR instruments and Rural development”
  - Rural areas in South Africa are important politically, economically and demographically
- While 21 years of democracy have seen impressive accomplishments in terms of decreases in poverty and growth in the middle class
  - there are regions that have hardly seen the benefits from growth in the country’s more affluent regions
  - the poor, especially in the rural areas, remain the most disadvantaged in terms of quality and access to services.

# STRATEGY FOR RESEARCH FOR THE NEXT FIVE YEARS

---

- In addition to having low incomes, rural dwellers are often excluded from many of the government services or quality of service provided in more affluent communities such as education, medical care and other basic services such as clean water and adequate sanitation facilities
- A significant component of service delivery in the rural areas (and consequently rural development) is performed by provinces and local government as implementers of national policy
- Against this background, the thesis statement of the 2016 submission for the Division of Revenue is that South Africa has fiscal and structural challenges that impede effectiveness of rural development spending and programs
  - IGFR instruments are the key to improving economic wellbeing in rural areas, thereby leading to improved rural growth and less inequality

# STRATEGY FOR RESEARCH FOR THE NEXT FIVE YEARS

---

- The central question concerns how IGFR instruments can assist national government, provinces and municipalities in stimulating, promoting, and facilitating rural development? Hence, the overriding message of the Submission will be delivered under the theme:

*‘Rural development... Fiscal resources to drive redistribution and poverty reduction...And a strong “national development” by 2030’*

- Aligned with FFC 5 Year Strategy and NDP
  - Rural development is one of the top priorities that drive the mandate of Government
  - NDP envisages to have eliminated poverty by 2030 and reduced disparity
  - Rural development appears to be the main tool through which this would be achieved

# BUDGET

	Strategic Pillars	Strategic Objective	Budget				
			Audited Outcome	Approved	MTEF		
			2014/15	2015/16	2016/17	2017/18	2018/19
Stakeholder Perspective		<b>Measurable Strategic Objective 5.1.1:</b> Profile the Commission with a special focus on the Commission's Mandate, Vision, Mission and Role; the Commission's Short and Long-Term Strategy; the Commission's position on specific issues; and the Commission's Challenges and Achievements	374,000	384,098	402,919	427,900	454,430
		<b>Measurable Strategic Objective 5.1.2:</b> To ensure that Commission research is converted to policy advice and recommendations written in language that policymakers can understand	971,000	997,217	1,046,081	1,110,938	1,179,816
		<b>Measurable Strategic Objective 5.1.3:</b> To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices	20,066,800	15,474,606	16,248,618	17,262,374	18,332,993
		<b>TOTAL</b>	<b>21,411,800</b>	<b>16,855,921</b>	<b>17,697,617</b>	<b>18,801,211</b>	<b>19,967,239</b>

# BUDGET...CONTINUED

Strategic Pillars	Strategic Objective	Budget				
		Audited Outcome	Approved	MTEF		
		2014/15	2015/16	2016/17	2017/18	2018/19
<b>Internal Business Processes</b>	<b>Measurable Strategic Objective 5.2.1:</b> To ensure the progressive and innovative management of human resources that attracts, develops and retains key talent, and leverages external expertise	1,805,000	1,853,735	1,944,568	2,065,131	2,193,169
	<b>Measurable Strategic Objective 5.2.2:</b> To ensure the coordinated, coherent, high-quality, innovative and cost-effective approach to ICT that meets the needs of the Commission, the Commission Secretariat and stakeholders	2,328,000	2,390,856	2,508,008	2,663,504	2,828,642
	<b>Measurable Strategic Objective 5.2.3:</b> To ensure the coordinated, cost-effective and innovative management of Commission assets in support of delivery on the Commission's mandate	7,763,000	7,972,601	8,363,258	8,881,780	9,432,451
	<b>Measurable Strategic Objective 5.2.4:</b> Compliance with legislation and adherence to relevant corporate governance best practice	5,369,000	5,513,963	5,784,147	6,142,764	6,523,616
	<b>TOTAL</b>	<b>17,265,000</b>	<b>17,731,155</b>	<b>18,599,982</b>	<b>19,753,180</b>	<b>20,977,878</b>

# BUDGET...CONTINUED

Strategic Pillars	Strategic Objective	Budget				
		Audited Outcome	Approved	MTEF		
		2014/15	2015/16	2016/17	2017/18	2018/19
Learning and Innovation	<b>Measurable Strategic Objective 5.3.1:</b> To ensure the creation of new knowledge, the institutionalization of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system	268,000	275,236	288,723	306,623	325,634
	<b>TOTAL</b>	<b>268,000</b>	<b>275,236</b>	<b>288,723</b>	<b>306,623</b>	<b>325,634</b>
Financial Perspective	<b>Measurable Strategic Objective 5.4.1:</b> To ensure prudent and transparent management of the financial resources of the Commission	4,639,000	4,764,253	4,997,701	5,307,559	5,636,628
	<b>Measurable Strategic Objective 5.4.2:</b> To ensure access to alternative sources of funding	905,000	929,435	974,977	1,035,426	1,099,622
	<b>TOTAL</b>	<b>5,544,000</b>	<b>5,693,688</b>	<b>5,972,679</b>	<b>6,342,985</b>	<b>6,736,250</b>



# BUDGET

---

- The amendment on FFC act brought upon pressures on the Commission budget, these will mostly include remuneration and asset acquisition.
- Challenges in the network and hardware has affected organisational productivity, and it has become critical that the Commission attends to these requirements. The Commission has requested funding for the upgrade which amounts R2 265 000, to ensure efficient carrying out of the Commission's strategic objectives.
- Additionally ad hoc request by government institutions on the Commission mandate, has put more pressure, as a result logistical expenditure of the Commission's expenditure budget increased by 60%. The Commission is required in terms of its mandate to honour these requests from the institutions. The Commission anticipates that travel and accommodation costs to increase by R225, 960 per annum
- The overall Commission expenditure has increased by 36% for the 5 years to 2014/15, Baseline allocations have increased by 26% over the 5 year period due to increasing demands in accordance with the Commission's mandate
- Inadequate human resource capacity has necessitated that the Commission outsource certain integral services such as Human resource management and internal audit.
- Stringent financial measures have been in place to prevent a deficit situation , however continued increase in OPEX higher than funding growth rate has recently resulted in budget pressures

# FIVE YEAR FINANCIAL PERFORMANCE ANALYSIS

Financial Performance	Audited Outcome					Projected
Description	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Government Grants - Baseline	31 391	33 036	37 268	39 567	39 488	40 556
Government Grants - Adjustment	-	-	-	-	5 800	-
Other Income	385	136	226	758	241	106
<b>Total Revenue</b>	<b>31 776</b>	<b>33 172</b>	<b>37 494</b>	<b>40 325</b>	<b>45 529</b>	<b>40 662</b>
<b>% Baseline Grant Increase</b>		<b>5%</b>	<b>12.81%</b>	<b>6.16%</b>	<b>-0.19%</b>	<b>2.70%</b>
Remuneration costs	19 664	19 203	20 383	20 808	21 947	22 824
Depreciation and Amortisation	584	403	-10	571	83	76
Professional Fees	4 451	4 680	4 139	5 356	6 993	4 995
Other Operating Expenses	8 509	8 778	10 839	12 179	16 262	12 500
<b>Total Expenditure</b>	<b>33 208</b>	<b>33 064</b>	<b>35 351</b>	<b>38 914</b>	<b>45 285</b>	<b>40 395</b>
Surplus/Deficit	<b>-1 432</b>	<b>108</b>	<b>2 143</b>	<b>1 411</b>	<b>244</b>	<b>267</b>
Remuneration as % of total cost	59%	58%	58%	53%	48%	57%
%Change in Remuneration cost		-2.34%	6.14%	2.08%	5.47%	3.90%

# CONCLUSION

---

- Commission will continue to ensure predetermined objectives are met
- Implementation of the Financial and Fiscal Commission Amendment Act, 2015
- Cost of compliance in implementation of certain legislative prescripts remains a challenge
- The budget of 12% increase has been requested to address the compliance and adhoc requests in order to maintain the delivery model of the Commission
- Funding challenges continue
- Commission will continue to discharge its mandate and as set out in the Constitution



# THANK YOU

*Financial and Fiscal Commission  
Montrose Place (2<sup>nd</sup> Floor), Bekker Street,  
Waterfall Park, Vorna Valley, Midrand,  
Private Bag X69, Halfway House 1685*

*[www.ffc.co.za](http://www.ffc.co.za)*

*Tel: +27 11 207 2300*

*Fax: +27 011 207 2344*