

COUNCIL FOR MEDICAL SCHEMES
2024/25 PROPOSED BUDGET



Funding Proposal 2024/25

Table 1 Funding Proposal

Description	Line Ref		2020/2021 Budget	2021/2022 Budget	2022/2023 Budget	2023/2024 Budget	2024/2025 Budget
Goods and services	A1		63 473 528	72 477 099	72 087 715	67 148 169	64 364 447
Compensation of employees	A2		114 649 748	113 072 984	121 354 836	136 497 335	152 635 272
Operating cash expenditure	A		178 123 276	185 550 083	193 442 552	203 645 504	216 999 719
Capital expenditure	B		900 000	1 000 000	1 042 300	2 500 000	14 500 000
Total cash requirement (TABLE 2)	C	A + B	179 023 276	186 550 083	194 484 852	206 145 504	231 499 719
Projected surplus	D1			-	-	-	(11 880 000)
Accreditation fees	E		(6 779 733)	(6 779 733)	(6 798 998)	(7 093 658)	(8 997 653)
Registration Fees	F		(512 947)	(512 947)	(534 644)	(423 168)	(466 944)
Interest Received	G		(1 945 922)	(1 945 922)	(2 028 234)	(3 171 000)	(3 323 208)
Government grant	H1		(6 530 000)	(6 181 000)	(6 272 000)	(6 537 000)	(6 831 000)
Other income	I		(274 454)	(274 454)	(286 063)	(302 369)	(316 883)
Total income excluding levies	J	D + E + F + G + H+ I	(16 145 358)	(15 796 358)	(15 919 940)	(17 527 195)	(31 815 688)
Income from levies	K	C - J	162 877 918	170 753 725	178 564 912	188 618 309	199 684 031
Total membership	L		4 030 619	4 039 705	4 053 041	4 065 747	4 107 131
Levy amount proposed	M	K / L	R 40,41	R 42,27	R 44,06	R 46,39	R 48,62
Levy amount approved			R 40,41	R 42,27	R 44,06	R 46,39	
Levy increase (in Rand) based on approved levy			R 1,74	R 1,86	R1,79	R2,34	R2,23
Levy increase (in %) based on approved levy			4,49%	4,60%	4,23%	5,30%	4,80%

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Consolidated CMS Budget 2024/2025

Table 1 Budget per programme

Programme Nr	Consolidated expenditure - Per Programme	Actual outcome (Audited)	Budget	
		2022/23	2023/2024	2024/25
1	ADMINISTRATION	103 094 146	115 848 012	116 707 706
1.1	Office of the CEO and Registrar	6 500 078	9 723 643	8 451 348
1.2	Office of the CFO	17 060 078	16 133 815	17 812 009
1.3	Information Systems and Knowledge Management	23 509 857	28 537 083	30 097 048
1.4	Corporate Services	48 729 872	51 738 459	50 364 000
1.5	Council Secretariat	7 294 262	9 715 012	9 983 302
2	Strategy, Performance and Risk	2 078 163	2 735 379	4 094 477
3	Regulation	36 973 537	43 328 535	48 884 913
4	Policy, Research and Monitoring	8 383 754	12 909 865	17 157 065
5	Member Protection	22 014 288	28 823 715	30 155 558
	OPERATING CASH EXPENDITURE	172 543 888	203 645 505	216 999 719
CAPEX	CAPITAL EXPENDITURE	1 271 000	2 500 000	14 500 000
	TOTAL CASH REQUIREMENT	173 814 888	206 145 505	231 499 719

CMS Budget 2024/2025

Table 2 Budget per economic classification

Notes	Per Economic classification	Actual outcome (Audited)	Budget	
		2022/23	2023/2024	2024/2025
	Compensation of employees	117 181 894	136 497 335	152 635 272
1	Salaries and wages	113 641 103	132 235 697	148 155 710
2	Social contributions	3 540 790	4 261 639	4 479 562
	Goods and services	55 361 994	67 148 170	64 364 447
3	Agency and support / outsourced services	24 800	86 692	89 404
4	Communication	1 707 586	3 322 200	3 586 191
5	Computer services	5 566 285	5 208 911	6 034 013
6	Consultants	3 787 567	11 575 851	12 159 886
7	Lease payments	11 902 929	15 127 619	9 993 638
8	Advertising and marketing	1 050 802	700 000	733 600
9	Audit costs	870 475	1 000 000	1 048 000
10	Bank charges	62 276	120 156	125 924
11	Board costs	4 207 339	4 800 000	5 030 400
12	Legal fees	7 144 954	6 907 776	6 199 700
13	Non life insurance	297 888	800 000	838 400
14	Other unclassified expenditure	2 058 126	3 423 312	2 992 289
15	Printing and publication	627 709	529 755	565 663
16	Property payments	5 679 428	5 758 813	5 777 422
17	Staff cost note	3 583 303	3 142 477	3 327 671
18	Venue and facilities	592 902	628 426	699 385
19	Repairs and maintenance	802 138	1 046 235	1 124 770
20	Training and staff development	1 669 005	1 712 695	2 511 045
21	Travel and subsistence	738 687	1 257 251	1 527 047
	OPERATING CASH EXPENDITURE	172 543 888	203 645 505	216 999 719
22	Capital expenditure	1 271 000	2 500 000	14 500 000
	TOTAL CASH REQUIREMENT	173 814 888	206 145 505	231 499 719

Notes supporting Table 3

General

The budget has been prepared in terms of the new CMS organisational structure thus linking to both the organogram and the draft Annual Performance Plan. The budget is based on National Treasury Guidelines for costing and budgeting for compensation of employees.

It is important to highlight that the proposed budget is not sufficient to cater to all of CMS business requirements. There have been ICT-related challenges threatening business continuity.

A capital outlay approximating R46 100 000 over 36 months is required for the ICT system infrastructure, applications, network, and integration technological platforms. Over the many years ICT investment has been inadequate, resulting in CMS falling behind significantly in terms of its technology. As CMS is a Regulator of a large industry of Medical Schemes that themselves are driven by highly advanced technological systems; it is therefore crucial that CMS invests in and revamps its own technology to keep up with the high-tech Medical Schemes Industry that is being regulated.

An investment in the ICT systems has therefore become so critical that an overhaul and revamp of the core CMS systems is required to ensure business continuity and for the effective functioning of the organization as a Regulator. Also, considering all the changes coming to the health sector in terms of technology and many others; the CMS requires its core technology to be revamped and replaced and this has been prioritized to be implemented on a multi-year plan over a period of 3 years. The CMS will make use of the projected surplus to fund the ICT requirements for the 2023-24 financial year with some additions from the core budget where required.

The CMS will continue to manage costs and spend prudently to achieve its mandate moving into the next financial year.

1. Salaries and wages

Compensation of employees includes remuneration in cash and benefits in line with CMS remuneration philosophy. Further, CMS is continuing with the phasing-in of its approved organisational structure and ensuring that remuneration is in line with prevailing market conditions.

2. Social contributions

Contributions by employer towards employees' life cover and contributions payable for workmen's compensation to the Compensation Fund are included under this line item.

3. Agency and support / outsourced services

Transcription services for appeal board hearings, strategic planning meetings, Council meetings, and labour relations matters.

4. Communication

Communication refers to costs incurred for communication through a variety of communication mediums, including telephone, fax, courier, and printing.

5. Computer services

Payments made for computer services provided by external service providers. These include software license subscriptions, internet solutions, and computer-related expenditures.

6. Consultants

Consulting services refer to the appointment by the organisation of a professional person(s) to provide technical and specialist services or to assist with the design and implementation of projects/programs for the achievement of a specific organisational objective. Maintaining these skills in-house is not necessary since they are required on a once-off or temporary basis.

The services required for the forthcoming financial year are in respect of Commissioned Inspections; Prescribed Minimum Benefits (PMB), Standardization, Appeal Board, and Internal Audit services, amongst other things.

7. Lease payments

Renting of building, copiers and other assets.

8. Advertising and marketing

Included within this item is the media monitoring contract, advertising costs as well as social media advertising costs.

9. Audit costs

In line with Section 188 of the Constitution of South Africa Section 188, The Auditor-General performs the external audit function.

10. Bank charges

Charges on commercial bank account (ABSA).

11. Board costs

All payments related to the functions of the board. This includes remuneration of Council and sub-committees of Council.

12. Legal fees

Cost incurred for services rendered by attorneys and advocates for labour relations and legal matters.

13. Non-life insurance

Non-life insurance claims represent the claim due under contracts in respect of non-life insurance, that is, the amount that insurance enterprises are obliged to pay in settlement of injuries or damages suffered by persons or goods (including fixed assets).

14. Other unclassified expenditure

Stationery, subscriptions, knowledge management subscriptions, bereavements, external storage, copy costs and general expenses.

15. Printing and publication

Costs incurred for printing documents or publications produced for wide distribution inside or outside the organisation, for example, Annual Reports, Annual Performance Plans, brochures, pamphlets, and posters.

16. Property payments

This item provides for all payments related to contractual obligations contributing to the functionality of the CMS building, namely cleaning, security and municipal services.

17. Staff cost note

Costs relating to staff (temporary or permanent) that are not classified under compensation of employees (salaries and wages; social contributions). These costs include inter alia recruitment and relocation, temp services, and employee wellness.

18. Venue and facilities

Venue and catering related costs.

19. Repairs and maintenance

Vehicle, Office, and ICT-related repairs and maintenance.

20. Training and staff development

The cost of training staff for development and improved efficiency. This cost includes materials, manuals, cost of external trainers as well as conference costs where applicable.

21. Travel and subsistence

Travel and subsistence are normal business-related travel expenses as well as the reimbursement of travel expenses within or outside South Africa for business purposes.

22. Capital expenditure

Expenditure with respect to the purchasing of assets is classified as capital expenditure and mainly consists of computer equipment, computer software, office equipment and furniture and fittings.

The CMS increased capital expenditure funding requirements relate to the acquisition of systems urgently required by IT to ensure the CMS is enabled to achieve its strategic outcome-based goals. These projects comprise the Customer Relation Management, Annual/Quarterly Returns; Auditor approval; Online Administrator Accreditation, Remote Administrator Inspection, and Microsoft Cloud Backup/Recovery systems. This forms part of the ICT infrastructure revamp and upgrade.