**3. REPORT OF THE PORTFOLIO COMMITTEE ON COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS ON THE ANNUAL PERFORMANCE PLAN AND BUDGET VOTE 4 OF THE DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS DATED 13 APRIL 2016**

The Portfolio Committee on Cooperative Governance and Traditional Affairs (the Committee), having met with the Department of Cooperative Governance and Traditional Affairs and entities reporting to it, on their five-year Strategic Plan, Annual Performance Plans (APP) and Budget for 2016/17 financial year, reports as follows:

1. INTRODUCTION

In terms of section 55(2) of the Constitution of the Republic of South Africa, Act 108 of 1996, National Assembly must provide for mechanisms: (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) the national executive authority, including the implementation of legislation; and (ii) any organ of state. In terms of the Public Finance Management Act, 1999, the Accounting Officers must provide Parliament or the relevant Legislature with their respective institution’s medium-term strategic plan and where applicable with its annual performance plan.

The Money Bills Amendment Procedure and Related Matters Act, vests powers in Parliament to reject or recommend budgets of national government departments. The Act further makes provision for the implementation of recommendations emanating from the Committee oversight.

The Committee exercises its mandate of oversight in line with the above-mentioned legislative framework over the Department of Cooperative Governance and Traditional Affairs (CoGTA) and its entities, namely: the Municipal Demarcation Board (MDB); the Commission for the Promotion and the Commission for the Protection of the Rights of Cultural; Religious and Linguistic Communities (CRL Rights Commission); the South African Local Government Association (SALGA); and the National House of Traditional Leaders (NHTL). The Committee met with the Department (i.e., CoGTA) on 1st March 2016 to receive a briefing on the Strategic and Annual Performance Plans and the Budget. The Committee met with SALGA on 8th March 2016 to receive a briefing on their Strategic Plan, Annual Performance Plan and the Budget. The Committee also met with the CRL Rights Commission and MBD on 15th March 2015 to receive a briefing on their Five-year Strategic Plan, APP and the Budget.

1. OVERVIEW OF POLICY PRIORITIES FOR 2016/17

The key policy priority for the Department of CoGTA during the 2016/17 financial year will be the continued implementation of the Back to Basics programme. The Back to Basics approach was launched by the President of the Republic, Mr Jacob Zuma in September 2014 with the aim of strengthening and transforming the local government sector. The programme is underpinned by five pillars, namely: prioritise residents; support the delivery of municipal services to the right quality and standard; promote good governance, transparency and accountability; ensure sound financial management and accounting; and build institutional resilience and administrative capacity.

Key lessons have been learned from the initial phase of the Back to Basics approach implementation. It is these lessons that will guide the second phase of the implementation of the Back to Basics programme. During the 2016/17 financial year, the Department’s Back to Basics priorities will be guided by the following 10-Point Plan:

1. Positive community experiences;
2. Prioritise municipalities receiving disclaimers over the last five years;
3. Support revenue enhancement programmes;
4. Appointment of senior managers with appropriate and requisite skills in municipalities;
5. Quality service and maintenance of infrastructure;
6. Implementation of recommendations from forensic reports;
7. Metropolitan Back to Basics programme;
8. Strengthening roles of district municipalities;
9. Spatial regional integration zones/spatial contracts; and
10. Strengthen capacity and role of provincial COGTA departments.

The number of municipalities have been reduced from 278 to 257 following the municipal demarcation process. The category of municipalities that has been affected are local municipalities which have been reduced from 226 to 205. Support to municipalities undergoing transition will be a key priority for the department. The other key priority for the sector in 2016 is the holding of the local government elections.

1. KEY ELEMENTS FOR THE DEPARTMENT FROM THE STATE OF THE NATION ADDRESS 2016

The 2016 State of the Nation Address (SONA) focused strongly on the current economic situation facing the country. Of critical importance was the cost containment measures, especially the invitation by the President to all Premiers of the nine provinces as well as Mayors to join in eliminating wasteful expenditure. The implementation of the Back to Basics programme was emphasized. It was emphasized that the second phase of the implementation of the programme would entail national government becoming engaged in more active monitoring and accountability measures.

The measures as outlined in the SONA include unannounced municipal visits, spot checks of supply chain management processes, the implementation of recommendations of forensic reports, site visits to Municipal Infrastructure Grant-funded projects and increased interventions to assist struggling municipalities.

1. ALIGNMENT OF THE DEPARTMENTAL STRATEGY TO NATIONAL PRIORITIES

In the 2016/17 Annual Performance Plan, the Department indicated that the Back to Basics approach requires the Department to relook at its role and structure and reconfigure itself to be able to deliver the second phase of the programme. The Department has internally established the following organisational structure in response to the Back to Basics Programme:

* Programme 1: Administration

This programme provides strategic leadership management and support services to the Department and includes the Office of the Director-General, Financial and Corporate Management Services.

* Programme 2: Regional and Urban Development and Legislative Support

This programme provides policy analysis and development in order to transform local government and improve cooperative governance.

* Programme 3: Institutional Development

The purpose of the programme is to build institutional resilience in the local government system by supporting system development, governance, capacity building and revenue management and provide for the functions of the Department of Traditional Affairs.

* Programme 4: National Disaster Management Centre

The purpose of this programme is to promote an integrated and coordinated system of disaster prevention, mitigation and risk management.

* Programme 5: Local Government Support and Interventions Management

This programme conducts hands-on performance monitoring, support and interventions in municipalities and provincial departments of cooperative governance that will drive Back to Basics activities.

* Programme 6: Community Work Programme

The purpose of this programme is to create income security and work experience for participants, targeting areas that promote social and economic inclusion by targeting areas of high unemployment.

The new organisational structure as outlined above has been realigned to support the strategic outcome-orientated goals of the Department in implementing the Back to Basics approach. To implement the Back to Basics approach, the Department has identified in its 2016/17 Annual Performance Plan nine strategic outcome-orientated goals. The nine strategic outcome orientated goals of the Department are linked to the achievement of national priorities of government as outlined in the five-year strategy of government, the 2014-2019 Medium Term Strategic Framework (MTSF). The strategic outcome-orientated goals of the Department are further linked to the Back to Basics five pillars.

1. VOTE 4 BUDGET ANALYSIS

The Vote 4 (Budget) seeks to improve cooperative governance across the three spheres of government in partnership with institutions of traditional leadership, and in the process ensure that provinces and municipalities carry out service delivery and development functions effectively. As illustrated in Table 1, the total estimated vote expenditure for 2016/17 amounts to R72.9 billion – nominally up from the adjusted appropriation of R70.8 billion in 2015/16 by 3 percent or R2.1 billion but, taking into account inflation, has decreased by 3.3 percent or R2.3 billion.

Table 1: Vote 4 in 2015/16 and 2016/17

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2015/16** | **2016/17** |  **2015/16-2016/17** |  **2015/16-2016/17** |
| Programme 1: Administration |  228.6 |  266.5 |  37.9 |  21.4 | 16.58 per cent | 9.36 per cent |
| Programme 2: Regional and Urban Development and Legislative Support |  76.2 |  332.2 |  256.0 |  235.4 | 335.96 per cent | 308.97 per cent |
| Programme 3: Institutional Development |  67 407.6 |  68 122.2 |  714.6 | - 3 503.1 | 1.06 per cent | -5.20 per cent |
| Programme 4: National Disaster Management Centre |  606.8 |  598.9 | - 7.9 | - 45.0 | -1.30 per cent | -7.41 per cent |
| Programme 5: Local Government Support and Intervention Management |  120.4 |  483.2 |  362.8 |  332.9 | 301.33 per cent | 276.48 per cent |
| Programme 6: Community Work Programme |  2 375.9 |  3 191.2 |  815.3 |  617.7 | 34.32 per cent | 26.00 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** |  **70 815.5** |  **72 994.2** |  **2 178.7** | **- 2 340.6** | **3.08 per cent** | **-3.31 per cent** |

As the Graph below illustrates, the most reductions in real rand terms (R3.5 billion) are incurred under Programme 3, the Institutional Development Programme, which constitutes the Department’s two largest spending items, namely the *Local Government Equitable Share* and the *Municipal Infrastructure Grant*. The programme is discussed in more detail under subsection 4.3 below.

## Programme 1: Administration

This Programme is meant to provide strategic leadership, management and support services to the Department. The Programme received a total estimated allocation of R266.5 million, compared to the adjusted appropriation of R228.7 million received in the previous financial year. This equals to a nominal increase of R37.8 million or 16.5 percent, but in real terms it amounts to R21.3 million or 9.3 percent, which is still relatively substantial, taking into account the fact that three sub-programmes have been removed from the Programme. These were the Chief Operating Officer, the Communication and Liaison, and the Legislative Review and Drafting sub-programmes, which were allocated R15.5 million, R11.7 million and R11.5 million respectively, in 2015/16. Legislative Review and Drafting is now accommodated under Programme 2, which is discussed in the next section.

Table 2: Administration

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2015/16** | **2016/17** |  **2015/16-2016/17** |  **2015/16-2016/17** |
| Sub-programme 1: Ministry |  27.8 |  26.7 | - 1.1 | - 2.8 | -3.96 per cent | -9.90 per cent |
| Sub-programme 2: Management |  20.1 |  14.2 | - 5.9 | - 6.8 | -29.35 per cent | -33.73 per cent |
| Sub-programme 3: Corporate Services |  103.3 |  142.0 |  38.7 |  29.9 | 37.46 per cent | 28.95 per cent |
| Sub-programme 4: Financial Services |  30.0 |  34.6 |  4.6 |  2.5 | 15.33 per cent | 8.19 per cent |
| Sub-programme 5: Internal Audit and Risk Management |  11.9 |  11.5 | - 0.4 | - 1.1 | -3.36 per cent | -9.34 per cent |
| Sub-programme 6: Office Accommodation |  35.6 |  37.5 |  1.9 | - 0.4 | 5.34 per cent | -1.18 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** |  **228.7** |  **266.5** |  **37.8** |  **21.3** | **16.53 per cent** | **9.31 per cent** |

As illustrated in the Graph below, the highest increase in real rand terms (R29.9 million) is under Corporate Services (sub-programme 3), whose allocation is up from R103 million in 2015/16 to R142 million in 2016/17. This is significant given that during the tabling of the 2015/16 budget, the allocation to the sub-programme decreased by 1.6 percent or R1.4 million in real terms.

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## Programme 2: Regional and Urban Development and Legislative Support

This is a reconfigured programme in place of what was previously known as the Policy, Research and Knowledge Management Programme, which was allocated R22 million in 2015/16. It incorporates sub-programmes from Programme 5 – previously the Provincial and Municipal Governance Support, and now Local Government Support and Intervention Management. Its stated purpose is to ‘provide policy analysis and development in order to transform local government and improve cooperative governance. As Table 3 illustrates, the budget for this Programme in 2016/17 increased by 309 percent or R235 million in real terms.

Table 3: Regional and Urban Development and Legislative Support

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2015/16** | **2016/17** |  **2015/16-2016/17** |  **2015/16-2016/17** |
| Sub-programme 1: Management: Regional and Urban Development and Legislative Support |  6.1 |  3.1 | - 3.0 | - 3.2 | -49.18 per cent | -52.33 per cent |
| Sub-programme 2: Local Government Legislative Support and Institutional Establishment |  5.6 |  3.4 | - 2.2 | - 2.4 | -39.29 per cent | -43.04 per cent |
| Sub-programme 3: Urban Development Planning |  8.8 |  7.3 | - 1.5 | - 2.0 | -17.05 per cent | -22.18 per cent |
| Sub-programme 4: Spatial Planning: Districts and Regions |  8.8 |  11.9 |  3.1 |  2.4 | 35.23 per cent | 26.85 per cent |
| Sub-programme 5: Intergovernmental Policy and Practice |  7.8 |  9.0 |  1.2 |  0.6 | 15.38 per cent | 8.24 per cent |
| Sub-programme 6: Municipal Demarcation Transition Grant |  39.0 |  297.4 |  258.4 |  240.0 | 662.56 per cent | 615.35 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** |  **76.1** |  **332.1** |  **256.0** |  **235.4** | **336.40 per cent** | **309.38 per cent** |

Accounting for this exponential increase, as the Graph below illustrates, is sub-programme 6: the *municipal demarcation transition grant* (previously a sub-programme under Programme 5), which increased by R240 million or 615 percent in real terms, to support the implementation of the Municipal Demarcation Board’s (MDB) major boundary changes coming into effect during the upcoming local government elections.

## Programme 3: Institutional Development

Previously the Governance and Intergovernmental Relations Programme, the Institutional Development Programme is aimed at building ‘institutional resilience in the local government system by supporting system development, governance, capacity building and revenue management. It also provides for the functions of the Department of Traditional Affairs, which were previously catered for under Programme 7. The Programme now also incorporates the *Municipal Infrastructure Grant* (previously a sub-programme under Programme 6) and the *Municipal Systems Improvement Grant* (previously a sub-programme under Programme 3).

With an estimated allocation of R61.8 billion in 2016/17, the Programme constitutes 93 percent of the total budget allocation to the Department, as it transfers the largest expenditure items in the Department, namely, the *Municipal Infrastructure Grant* (sub-programme 8) and the *Local Government Equitable Share* (sub-programme 7), in addition to transfers to the *Municipal Infrastructure Support Agent* (sub-programme 11) and the *Department of Traditional Affairs* (sub-programme 10). The overall estimated budget allocation to the Programme decreased, in real terms, by 5.2 percent or R3.5 billion in 2016/17 as illustrated in Table 4 below.

Table 4: Institutional Development

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2015/16** | **2016/17** |  **2015/16-2016/17** |  **2015/16-2016/17** |
| Sub-programme 1: Management: Institutional Development |  20.8 |  3.2 | - 17.6 | - 17.8 | -84.62 per cent | -85.57 per cent |
| Sub-programme 2: Human Resource Management Systems |  9.6 |  7.4 | - 2.2 | - 2.7 | -22.92 per cent | -27.69 per cent |
| Sub-programme 3: Municipal Finance |  13.1 |  34.5 |  21.4 |  19.3 | 163.36 per cent | 147.05 per cent |
| Sub-programme 4: Citizen Engagement |  7.0 |  8.4 |  1.4 |  0.9 | 20.00 per cent | 12.57 per cent |
| Sub-programme 5: Anti-Corruption and Good Governance |  5.5 |  7.0 |  1.5 |  1.1 | 27.27 per cent | 19.39 per cent |
| Sub-programme 6: Municipal Property Rates |  9.5 |  14.9 |  5.4 |  4.5 | 56.84 per cent | 47.13 per cent |
| Sub-programme 7: Local Government Equitable Share |  51 706.5 |  52 568.7 |  862.2 | - 2 392.5 | 1.67 per cent | -4.63 per cent |
| Sub-programme 8: Municipal Infrastructure Grant |  14 955.8 |  14 914.0 | - 41.8 | - 965.2 | -0.28 per cent | -6.45 per cent |
| Sub-programme 9: Municipal Systems Improvement Grant |  251.4 |  84.3 | - 167.1 | - 172.3 | -66.47 per cent | -68.54 per cent |
| Sub-programme 10: Department of Traditional Affairs |  125.9 |  129.8 |  3.9 | - 4.1 | 3.10 per cent | -3.29 per cent |
| Sub-programme 11: Municipal Infrastructure Support Agent |  304.0 |  349.9 |  45.9 |  24.2 | 15.10 per cent | 7.97 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** |  **67 409.1** |  **68 122.1** |  **713.0** | **- 3 504.7** | **1.06 per cent** | **-5.20 per cent** |

As the Graph below illustrates, the reduction mostly relates to the sub-programmes 7 and 8: the *Local Government Equitable Share* and the *Municipal Infrastructure Grant*.

As noted in the introduction, a significant share of reprioritised funds for the MTEF has been sourced from provincial and local government allocations and this accounts for the real decrease of R2.3 billion or 4.6 percent in the equitable share allocation for 2016/17. However, the equitable share was also underspent by R2.9 billion in 2014/15 as the National Treasury withheld it from 60 municipalities that failed to pay Water Boards and Eskom for services provided.

As part of the reprioritisation process, direct transfers to local government infrastructure have also been reduced by 3.5 percent over the MTEF period. In this regard, the *Municipal Infrastructure Grant,* which is allocated a total of R34.4 billion over the 2016 MTEF is proposed for reduction by 3.1 percent over this period. In the *Budget Review*, the Treasury notes that baseline reduction to the MIG amounts to R620.2 million in 2016/17, R430 million in 2017/18 and R480 million in 2018/19. However, as Table 4 above illustrates, the real reduction in 2016/17 amounts to R965 million or 0.2 percent. The absorption of Naledi Local Municipality into Mangaung Metropolitan Municipality has also resulted in a small shift of funds from the *Municipal Infrastructure Grant* to the *Urban Settlements Development Grant*.

Further contributing to the overall decline in the estimated budget allocation for the Institutional Development Programme is the reduction of R485 million from the *Municipal Systems Improvement Grant* (sub-programme 9) over the MTEF period. In 2016/17, this reduction amounts to R172.3 million in real terms, or 68.5 percent. The rest of grant will become an indirect grant (an allocation spent by the Department of Cooperative Governance on behalf of municipalities) to support the objectives of the ‘Back to Basics’ strategy.

## Programme 4: National Disaster Management Centre

The National Disaster Management Centre (NDMC) is meant to promote an integrated system of disaster prevention, mitigation and risk management. As Table 5 illustrates, the allocation to the Programme declined by 7.4 percent or R44.9 million in real terms, in line with the reprioritisation process began in the previous financial year.

Table 5: National Disaster Management Centre

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2015/16** | **2016/17** |  **2015/16-2016/17** |  **2015/16-2016/17** |
| Sub-programme 1: Management: National Disaster Management Centre |  6.0 |  3.4 | - 2.6 | - 2.8 | -43.33 per cent | -46.84 per cent |
| Sub-programme 2: Disaster Risk Reduction, Capacity Building and Intervention |  12.7 |  33.3 |  20.6 |  18.5 | 162.20 per cent | 145.97 per cent |
| Sub-programme 3: Legislation and Policy Management |  6.1 |  5.8 | - 0.3 | - 0.7 | -4.92 per cent | -10.80 per cent |
| Sub-programme 4: Integrated Provincial Disaster Management Support, Monitoring and Evaluation Systems |  2.0 |  4.1 |  2.1 |  1.8 | 105.00 per cent | 92.31 per cent |
| Sub-programme 5: Fire Services | - |  3.1 |  - | - | - | - |
| Sub-programme 6: Information Technology, Intelligence and Information Management Systems |  26.7 |  27.7 |  1.0 | - 0.7 | 3.75 per cent | -2.68 per cent |
| Sub-programme 7: Disaster Relief Grant |  364.3 |  381.5 |  17.2 | - 6.4 | 4.72 per cent | -1.76 per cent |
| Sub-programme 8: Municipal Disaster Recovery Grant |  188.9 |  140.0 | - 48.9 | - 57.6 | -25.89 per cent | -30.48 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** |  **606.7** |  **598.9** | **- 7.8** | **- 44.9** | **-1.29 per cent** | **-7.40 per cent** |

Accounting for the lion’s share of the decline in the estimated budget for the Programme are, as the Graph below illustrates, sub-programmes 7 (*Disaster Relief Grant*) and 8 (*Municipal Disaster Recovery Grant*), which decrease by 1.7 percent or R6.4 million and 30.4 percent or R57.6 million, respectively.

The Budget 2016 proposes changes to the provincial and municipal disaster relief grants to enable provision for operational costs incurred by provinces and municipalities to distribute water. Previously, these grants ‘provided only for the rehabilitation of infrastructure damaged by disasters. The *Municipal Disaster Recovery Grant* is allocated R140 million in 2016/17 to assist with repairing infrastructure damaged by natural disasters. A new sub-programme (*Fire Services*) is also introduced, with an estimated allocation of R3.1 million.

## Programme 5: Local Government and Intervention Support Management

Previously the Local Government Support and Municipal Governance Support, this Programme conducts ‘performance monitoring, support and interventions in municipalities and provincial departments of cooperative governance that will drive ‘Back-to-Basics’ activities. Estimated allocation to this programme has increased exponentially in 2016/17 from R118.8 million in 2015/16 to R483.2 million in 2016/17, as illustrated in Table 6 below. This translates an increase of 281 percent or R334.5 million in real terms.

Table 6: Local Government and Intervention Support Management

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2015/16** | **2016/17** |  **2015/16-2016/17** |  **2015/16-2016/17** |
| Sub-programme 1: Management: Local Government Support and Intervention |  13.8 |  3.1 | - 10.7 | - 10.9 | -77.54 per cent | -78.93 per cent |
| Sub-programme 2: Municipal Performance Monitoring |  5.0 |  322.1 |  317.1 |  297.2 | 6342.00 per cent | 5943.15 per cent |
| Sub-programme 3: Local Government Improvement Programme |  14.6 |  29.2 |  14.6 |  12.8 | 100.00 per cent | 87.62 per cent |
| Sub-programme 4: Litigation and Interventions |  8.5 |  13.8 |  5.3 |  4.4 | 62.35 per cent | 52.30 per cent |
| Sub-programme 5: Municipal Infrastructure Grant Management |  15.6 |  20.7 |  5.1 |  3.8 | 32.69 per cent | 24.48 per cent |
| Sub-programme 6: South African Local Government Association |  9.2 |  29.5 |  20.3 |  18.5 | 220.65 per cent | 200.80 per cent |
| Sub-programme 7: Municipal Demarcation Board |  45.8 |  58.2 |  12.4 |  8.8 | 27.07 per cent | 19.21 per cent |
| Sub-programme 8: South African Cities Network |  6.3 |  6.6 |  0.3 | - 0.1 | 4.76 per cent | -1.72 per cent |
| Sub-programme 9: United Cities and Local Government of Africa | - | - | - | - | - | - |
|  |  |  |  |  |  |  |
| **TOTAL** |  **118.8** |  **483.2** |  **364.4** |  **334.5** | **306.73 per cent** | **281.55 per cent** |

Accounting for the large increase in the estimated Programme allocation, as the Graph below illustrates, is sub-programme 2 (*Municipal Performance Monitoring*) whose allocations grows by 5943 percent or R297.2 million in real terms. What accounts for this increase is not immediately clear, and Parliament may need to be informed on this matter. The Municipal Demarcation Board (sub-programme 7) also received a 19.2 percent increase in real terms as a result of a Cabinet approved allocation of R10 million reimbursement for the extended demarcation process.

In 2016/17, there was no allocation to the sub-programme 8 (*United Cities and Local Government of Africa*), which received 5.8 million in 2015/16. Parliament may require an explanation on this non-allocation. Furthermore, 2015/16 was envisaged as the last financial year that SALGA was to be funded from the national fiscus. From 2016/17 onwards, the entity was expected to implement a self-sustaining funding model. However, the entity has now been allocated over R90 million during the MTEF: R29.5 million in 2016/17; R31.3 million in 2017/18; and R33.1 million in 2018/19. This may also need further explanation, considering this contradiction.

## Programme 6: Community Work Programme

The CWP gives expression to the NDP’s goal of broadening work opportunities through community-based employment schemes. In this regard, it seeks to create ‘income security and work experience for participants and promote social and economic inclusion by targeting areas of high unemployment. This was previously a sub-programme under Programme 6. There are only three sub-programmes, two of which are introduced for the first time in 2016/17, namely, the sub-programmes 2 (*Programme Coordination*) and 3 (*Partnerships, Norms, Standards and Innovation*). While the Programme was envisaged to be subject to R586 million in Cabinet approved reductions over the medium term, it shows an actual increase of 26 percent or R617.7 million in 2016/17, as illustrated in Table 7 below.

Table 7: Community Work Programme

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2015/16** | **2016/17** |  **2015/16-2016/17** |  **2015/16-2016/17** |
| Sub-programme 1: Management: Community Work Programme |  2 375.9 |  3 140.8 |  764.9 |  570.4 | 32.19 per cent | 24.01 per cent |
| Sub-programme 2: Programme Coordination |  |  38.5 |  - |  - | - | - |
| Sub-programme 3: Partnerships, Norms, Standards, and Innovations |  |  11.9 |  - |  - | - | - |
|  |  |  |  |  |  |  |
| **TOTAL** |  **2 375.9** |  **3 191.2** |  **815.3** |  **617.7** | **34.32 per cent** | **26.00 per cent** |

The 26 percent increase mainly relates to sub-programme 1, as shown in graph below.

1. **IMPLEMENTATION OF 2015/16 RECOMMENDATIONS**

The following is progress report regarding the implementation of 2015/16 recommendations by the Department of CoGTA.

|  |  |
| --- | --- |
| **2015/16 Recommendations** | **Progress** |
| Department should report to the Committee on a regular basis on the monitoring of the implementation of Back to Basics programme by municipalities. It should especially put emphasis on ensuring better municipal financial management including expenditure management and supply chain management. | Regular reports were provided to the Committee on the implementation of the programme including briefing the Committee on the second phase of Back to Basics programme. |
| The department should coordinate capacity building initiatives in Local government through the newly established Local Government Skills Development Institute with SALGA, Local Government SETA and various tertiary institutions. | The Department, Local Government SETA and SALGA are coordinating capacity building in the sector. |
| There should be closer cooperation between the Department and Departments of Human Settlements, Small Business, Water and Sanitation, Environmental Affairs, Economic Development and Mineral Resources on the revitalization of mining towns  | An Inter- Ministerial Task Team on service delivery has been established to coordinate the revitalization of mining towns. |
| There should be joint initiatives between various sector departments on the delivery of basic services | An Inter- Ministerial Task Team on service delivery has been established to coordinate the delivery of basic services. |
| The department should assist struggling municipalities to address challenges of outstanding consumer debt as well as debt owed to municipalities by government departments. | Department has reviewed credit control policies and by-laws of 41 municipalities to assist them to address gaps which hampers the collection of outstanding debt.A task Team has been established with Public Works to assist municipalities to verify old government debt. |

1. OBSERVATIONS
* The presentations by the Department and its entities was appreciated and interrogated by members of the Committee. The Minister indicated to the Committee that the Electoral Court decision on the Tlokwe by-election was of national importance because it would have far-reaching implications for the conduct of elections in South Africa. He indicated that the interpretation of the Constitutional Court ruling by the IEC was that the requirement for addresses was only applicable from 30 November 2015 forwards. The Minister further indicated that the IEC had taken legal advice and had decided to approach the Constitutional Court for clarity on aspects of its order of 30 November 2015 regarding the meaning of “sufficient particularity”. The IEC has also cited the Minister of CoGTA as a respondent to their appeal, in so far as the Minister has the responsibility to ensure that appropriate preparations are made for the elections. On 15 March 2016 the IEC served and filed court papers with the Constitutional Court. This development now obviates the need for the Minister of CoGTA to bring an application to join the proceedings as a friend of the court, or as an interested party. CoGTA has instructed its legal team to prepare the necessary papers to participate in this proceedings before the Constitutional Court.
* The Committee welcomed the more active monitoring and accountability measures as announced by the President in the 2016 SONA of unannounced municipal visits, spot checks of supply chain management processes, and the implementation of recommendations of forensic reports, site visits to municipal Infrastructure Grant-funded projects, and increased interventions to assist struggling municipalities.
* The Committee noted with concern the underspending of the equitable share grant in 2015/16 due to the withholding of the grant from 60 municipalities that failed to pay water boards and Eskom for services provided.
* The Committee welcomed the role of the CRL Rights Commission to help regulate the Religious sector in order to curb the negative practices by some of the churches.
* The Committee appreciated the provision of funding to SALGA as this would enable it to fund operational activities such as participation in the intergovernmental and oversight structures, capacity building programmes for councillors, especially after the upcoming local government elections and also for the provision of support and advice to municipalities undergoing transition (restructuring of municipalities due to the boundary re-determination).
* The Committee commended the reduction in the number of Local Municipalities following the municipal demarcation process from 278 to 257. The Committee further welcomed the increase in the number of wards from 4277 to 4392 and the increased number of voting stations. This will increase improvement in terms of access to voting stations as compared to the number of voting stations in the 2011 Municipal Elections. The role played by the Municipal Demarcation Board during the ward delimitation and boundary redetermination was also appreciated.
* The Committee welcomed the ten-point plan as the basis for the implementation of the next phase of the Back to Basics programme.
* The Institutionalization of the Back to Basics programme within the Department was much appreciated by the Committee.
* The Committee notes with concern delays in the finalization of the Intergovernmental Interventions, Monitoring, Support and Interventions Bill (IMSI) as this is critical to provide regulatory and procedural certainty to the Constitutional obligations of national and provincial government to supervise, support and if necessary, to intervene in another sphere.
* The Committee welcome the statutory recognition of the Khoi-San communities, leaders and structures in the Traditional and Khoi-San Leadership Bill.
1. RECOMMENDATIONS
* That the Department reports to the Committee on a quarterly basis on progress made with the restructuring of municipalities which have been affected by the boundary re-determination.
* That the Development Bank of Southern Africa (DBSA) briefs the Committee on the 2016 budget announcement that R7.9 billion has been transferred to the Bank to enable it to expand lending and implementation support to municipalities.
* That the Department ensures that the recommendations of all forensic reports commissioned by Municipalities are implemented and a report be presented to the Committee on a quarterly basis.
* The Department should ensure that Senior Managers who will be appointed in local government following the upcoming elections have appropriate and requisite skills and where appointment is made in contravention of the regulations, the Minister or the MEC in the affected province must take appropriate action to correct such appointment.
* CoGTA and National Treasury should monitor adherence to the agreements between municipalities, water boards, and Eskom to ensure that proactive interventions can be made if a municipality fails to pay for services rendered. GoGTA must report to the Committee on a quarterly basis on progress made regarding payment of government debt to municipalities.
* CRL should assist to ensure that there is greater transparency amongst the churches.

In consideration of the report the Democratic Alliance (DA) abstained from voting and the Economic Freedom Fighters (EFF) did not agree to the report.

The Committee is encouraged by the Annual Performance Plans for 2016-2017 of the Department of Cooperative Governance and Traditional Affairs, SALGA, CRL Rights Commission, MISA and MDB, and accordingly supports their implementation.

The Committee recommends that the 2016-2017 budget allocation to the Department of Cooperative Governance and Traditional Affairs and its entities be approved.

Report to be considered.