**3. Report of the Portfolio Committee on Cooperative Governance and Traditional Affairs on the Annual Performance Plan and Budget Vote No. 4 of the Department of Cooperative Governance and Traditional Affairs, Dated 10 May 2017**

The Portfolio Committee on Cooperative Governance and Traditional Affairs (the Committee), having met with the Department of Cooperative Governance and Traditional Affairs and the entities reporting to it, on their five-year Strategic Plan, Annual Performance Plans (APP) and Budget for 2017/18 financial year, reports as follows:

1. **BACKGROUND**

In terms of section 55(2) of the Constitution of the Republic of South Africa, (Act 108 of 1996), the 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 –

1. the national executive authority, including the implementation of legislation; and
2. any organ of state.

The Money Bills Amendment Procedure and Related Matters Act, (Act 9 of 2009) 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 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 of CoGTA on 14 March 2017, to receive a briefing on the Strategic and Annual Performance Plans and the Budget of the Department. The Committee also met with the SALGA, CRL Rights Commission and MBD on 24 March 2017 to receive a briefing on their Five-year Strategic Plan, APP and their Budget.

# Introduction

Budget 2017 echoes the economic transformation agenda outlined in this year’s State of the Nation Address (SoNA). As part of the principles that should guide this transformation, it urges that cities must be reshaped, and that linkages be built across the rural and urban landscape. Following the freedom of movement brought about by democracy, South Africa has recently seen increased inter-regional and inter-provincial migration, consequent from the disparities between rural and urban economies.

With the introduction of a new set of measures to improve the financial capability of municipalities, Budget 2017 continues to uphold the ongoing emphasis on better financial management in local government. Personnel numbers in the Department of Cooperative Governance (DCoG) are expected to decrease from 539 posts in 2017/18 to 488 posts in 2019/20, in order to align the headcount with the expenditure ceiling, which Cabinet has reduced by R9.2 million over the medium term.[[1]](#footnote-1) This reduction is not expected to have a negative impact on service delivery as most of the posts being lost are allegedly administrative in function. However, in terms of Treasury’s *Estimates of the National Expenditure* (ENE) for 2017, the Department seeks to create work opportunities over the medium, as part of realising its commitments in terms of the Back to Basics Strategy. The reductions in number of personnel over the medium term appears to contradict this commitment.

With respect to Traditional Affairs, the assessment of the functionality of Traditional Councils (TCs), in line with the Back to Basics methodology, remains a key focal area. However, as this methodology was originally designed to assess the functionality of municipalities, there remains a question mark over the extent of its relevance and applicability to the assessment of TCs. From the 2017/18 Annual Performance Plan of the Department of Traditional Affairs (DTA) it also emerges that TCs have not yet been legally constituted, and that kingships and queenship councils – though established in terms of customary law – are not yet legally established as prescribed in the Traditional Leadership and Governance Framework Act (Act 41 of 2003). However, there is no explanation provided for this shortcoming.

# Overview of the 2016/17 financial year

The escalating trend in municipal debt once again became a highlight, with Eskom (the leading creditor) instituting disconnections and interruptions as of November 2016. Emerging as a challenge in this regard were legislative or constitutional challenges relating to the authority of municipalities to distribute electricity versus the status of Eskom. A Technical Task Team was appointed to investigate this issue, and was expected to report back towards the end of the financial year. The Eskom debacle also continues to highlight the need for municipalities to improve their revenue collection. In this regard, the Department of Cooperative Governance had envisaged to implement a specific revenue plan in 30 municipalities by the end of the 2016/17 financial year. The outcomes of this plan are not as yet clear.

Strong spending growth was also envisaged for the Community Work Programme (CWP), which was to be rolled out to every municipality by 2017. Parliament had previously noted that the administration of the CWP was problematic and this was one of the key barriers preventing the Department from obtaining a clean audit. The Department had acknowledged this and pointed out that the procurement of goods and services, which is the root of the problem, has always been the responsibility of the CWP Implementing Agents, some of which struggle to comply with the regulations of the Public Finance Management Act. Parliament was informed that the Department was introducing a fundamental change in the functioning and operation of the Programme, based on investigations it had carried as well as recommendations by the Department of Monitoring and Evaluation in the Presidency.

The Department of Public Service and Administration had also approved a new organisational structure for the Department, which now sees the CWP reflecting as a stand-alone Programme within the Department (Programme 6). This was expected to facilitate better administration of the Programme. Furthermore, the Department was soliciting the assistance of National Treasury in terms of strengthening administrative and financial systems for the CWP. The number of CWP Implementing Agents has also been streamlined and drastically reduced in number and this is expected to contribute towards minimising the administration burden.

Additional challenges during the period under review included a severe drought, which saw almost all the nine provinces declared disaster areas; Senior Managers appointed in contravention of the Municipal Systems Act (Act 32 of 2000);the non-finalisation of the Monitoring, Support and Interventions Bill, and the withholding of the equitable share to some municipalities that would not comply with the Division of Revenue Act.

The effective and meaningful participation of traditional leadership structures in local government structures was another priority, which the DTA had envisaged to address during the 2016/17 performance cycle. This was to involve the development of Regulations on Participation of Traditional Leaders in Municipal Councils, in terms of section 81 of the Municipal Structures Act (Act 117 of 1998).It is not clear how far the Department has gone in this regard. Reducing deaths at initiation schools was another priority, which the Department has not quite managed to fulfil adequately.

# Policy Priorities for 2017/18

In line with the economic transformation imperative emphasised in this year’s SoNA, Budget 2017 outlines certain principles that should guide this transformation. Of particular relevance to the CoGTA Ministry is the principle that ‘transformation must reshape our cities and build linkages across the rural and urban landscapes, where fragmentation and separation characterised past patterns.’[[2]](#footnote-2) This is one of the objectives of the Integrated Urban Development Framework (IUDF), an initiative of the Department of Cooperative Governance. Through its Regional and Urban Development and Legislative Support Programme (Programme 3), the Department envisages continuing to facilitate the restructuring of the municipal spatial economy through monitoring the implementation of the IUDF.

Government also continues to invest in improving the financial capability of municipalities, and this will see, amongst others, the implementation of a new Municipal Standard Chart of Accounts from the 1st of July 2017; targeted Supply Chain Management interventions; enhanced revenue management; and improved asset management including adherence to 8% of the value of assets being spent on their maintenance.[[3]](#footnote-3) This is in line with Chapter 13 of the National Development Plan (NDP), which envisages an efficient, effective and development-oriented public service.[[4]](#footnote-4) In this regard, the Department of Cooperative Governance envisages continuing with the implementation of a specific revenue plan in 30 municipalities by the end of the financial year.

During this financial year, the CoGTA ministry also envisages effecting amendments to existing legislation, in particular the Municipal Structures Act (Act 117 of 1998) and the Municipal Systems Act (Act 32 of 2000).The contemplated amendments to the Structures Act are particularly critical to the effective and meaningful participation of traditional leadership structures in local government structures. Amendments to the Traditional Leadership and Governance Framework Actand the introduction of the Customary Initiation Bill to regulate the cultural initiation practice so at to reduce the number of fatalities emanating from the practice, are also envisaged.[[5]](#footnote-5)

# Budget Analysis 2017/18

Taking inflation into account, the Departments’ budget allocation for 2017/18 increases by 1%, from R73 billion in 2016/17 to R78 billion, as the Table 1 below illustrates. The highest increase (8.9%) is seen in Programme 6: CWP, while the allocation to Programme 2: Regional and Urban Development and Legislative Support decreases by more than half, at 53%. The decrease mainly relates to the phasing out of the Municipal Demarcation Transition Grant, which will be discontinued from the 2017/18 financial year. This is in line with the recommendation of the Financial and Fiscal Commission (FFC) that the grant be concluded in 2017/18 because it is intended to fund transitional costs and it will not form a permanent part of the intergovernmental transfer system.[[6]](#footnote-6)

Table 1:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** |  **2016/17-2017/18** |  **2016/17-2017/18** |
| Programme 1: | 263,7 | 247,3 | 259,6 | 276,7 | - 16,4 | - 31,1 | -6,22% | -11,78% |
| Programme 2: | 423,6 | 210,3 | 103,9 | 110,2 | - 213,4 | - 225,8 | -50,37% | -53,31% |
| Programme 3:  | 52 888,0 | 57 372,8 | 63 114,4 | 67 879,5 |  4 484,8 |  1 084,5 | 8,48% | 2,05% |
| Programme 4:  | 588,9 | 521,9 | 600,2 | 578,4 | - 67,0 | - 97,9 | -11,37% | -16,63% |
| Programme 5:  | 15 666,5 | 16 366,4 | 17 225,7 | 18 197,0 |  699,9 | - 270,1 | 4,47% | -1,72% |
| Programme 6:  | 3 191,2 | 3 695,9 | 3 809,9 | 4 018,6 |  504,7 |  285,6 | 15,81% | 8,95% |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** |  **73 021,9** |  **78 414,5** |  **85 113,8** |  **91 060,4** |  **5 392,6** |  **745,2** | **7,38%** | **1,02%** |

The Graph 1 below shows that the bulk of the Departments’ budget remains concentrated in Programmes 3: Institutional Development where the Local Government Equitable Share is disbursed to municipalities. The allocation to the Programme increases by 2% in real terms – from R52.8 billion in 2016/17 to R57.3 billion in 2017/18. Most of this increase relates to (sub-programme 6) whose allocation increases by 27.8% in real terms, from R13.3 million in 2016/17 to R18 million in 2017/18. Programme 5: Local Government Support and Intervention Management, which administers and disburses the Municipal Infrastructure Grant,and Programme 6 are the second and third largest budget items in the Department.

Graph 1:

## Programme 1: Administration

As Table 2 below illustrates, the allocation to Programme 1 decreases by 11.7% in 2016/17. Most of this decrease relates to sub-programmes 1 (Ministry) and 5 (Internal Audit and Risk Management), whose allocations decrease, in real terms, by 30.5% from R37,9 million in 2016/17 to R28 million in 2017/18 and 25.9% from R16.5 million in 2016/17 to R13 million in 2017/18, respectively.

Table 2:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** |  **2016/17-2017/18** |  **2016/17-2017/18** |
| Sub-programme 1: Ministry | 37,9 | 28,0 | 29,4 | 31,5 | - 9,9 | - 11,6 | -26,17% | -30,55% |
| Sub-programme 2: Management | 13,6 | 17,5 | 18,4 | 19,8 |  3,9 |  2,8 | 28,37% | 20,76% |
| Sub-programme 3: Corporate Services | 127,5 | 108,9 | 114,5 | 122,1 | - 18,6 | - 25,0 | -14,57% | -19,63% |
| Sub-programme 4: Financial Services | 30,7 | 38,4 | 40,6 | 43,3 |  7,6 |  5,4 | 24,88% | 17,48% |
| Sub-programme 5: Internal Audit and Risk Management  | 16,5 | 13,0 | 13,6 | 14,6 | - 3,5 | - 4,3 | -21,23% | -25,90% |
| Sub-programme 6: Office Accommodation | 37,5 | 41,6 | 43,0 | 45,4 |  4,1 |  1,6 | 10,93% | 4,35% |
| **TOTAL** |  **263,7** |  **247,3** |  **259,6** |  **276,7** | **- 16,4** | **- 31,1** | **-6,22%** | **-11,78%** |

The Graph below indicates that the bulk of the allocation to Programme is geared towards the Corporate Services sub-programme, although its allocation decreases by 19.6 percent in real terms – from R127.5 million in 2016/17 to R108.9 million in 2017/18.

Graph 2:

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

The allocation to Programme 2 decreases by more than half in real terms, at 53%. The decrease mainly relates to the phasing out of the Municipal Demarcation Transition Grant (sub-programme 6), which will be discontinued from the 2018/19 financial year. At the same time there is an increase of 163.7% in budget allocation to sub-programme 1: Management: Regional and Urban Development Legislative Support, from R1,2 million in 2016/17 to R3,2 million in 2017/18.

Table 3:

| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** |  **2016/17-2017/18** |  **2016/17-2017/18** |
| Sub-programme 1: Management: Regional and Urban Development and Legislative Support | 1,2 | 3,2 | 3,4 | 3,7 |  2,1 |  1,9 | 180,40% | 163,78% |
| Sub-programme 2: Local Government Legislative Support and Institutional Establishment | 2,5 | 3,4 | 6,3 | 6,7 |  0,9 |  0,7 | 34,70% | 26,72% |
| Sub-programme 3: Urban Development Planning | 8,2 | 10,6 | 11,0 | 11,8 |  2,4 |  1,8 | 29,65% | 21,97 % |
| Sub-programme 4: Spatial Planning Districts and Regions  | 13,5 | 14,6 | 11,5 | 12,3 |  1,1 |  0,2 | 7,95% | 1,55% |
| Sub-programme 5: Intergovernmental Policy and Practice | 7,2 | 9,0 | 10,7 | 11,5 |  1,8 |  1,3 | 25,76% | 18,31% |
| Sub-programme 6: Municipal Demarcation Transition Grant | 325,3 | 111,9 |  –  |  –  | - 213,4 | - 220,1 | -65,61% | -67,65% |
| Sub-programme 7: Municipal Demarcation Board | 59,2 | 50,6 | 53,6 | 56,6 | - 8,6 | - 11,6 | -14,50% | -19,57% |
| Sub-programme 8: South African Cities Network | 6,6 | 7,0 | 7,4 | 7,8 |  0,3 | - 0,1 | 5,00% | -1,22% |
| **TOTAL** |  **423,6** |  **210,3** |  **103,9** |  **110,2** | **- 213,4** | **- 225,8** | **-50,37%**  | **-53,31%** |

Graph 3 below indicates that the bulk of Programme allocation was in respect of the Municipal Demarcation Transition grant (sub-programme 6), which is in the process of being phased out. This is followed by sub-programme 7, which makes transfers to the Municipal Demarcation Board.

Graph 3:

## Programme 3: Institutional Development

Programme 3 constitutes the bulk of the Department’s budget allocation in the form of the Local Government Equitable Share (LGES), sub-programme 7, which is disbursed to municipalities. The allocation to the Programme increases by 2% in real terms – from R52.8 billion in 2016/17 to R57.3 billion in 2017/18. Sub-programme 6 shows the highest increase (27.8% in real terms), from R13.3 million in 2016/17 to R18 million in 2017/18. The allocation to sub-programme 1 (Management: Institutional Development), on the other hand, decreases by almost half (45%), from R5,7 million in 2016/17 to R3,3 million in 2017/18.

Table 4:

| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** |  **2016/17-2017/18** |  **2016/17-2017/18** |
| Sub- programme 1: Management: Institutional Development | 5,7 | 3,3 | 3,5 | 3,7 | - 2,4 | - 2,6 | -41,73% | -45,19% |
| Sub- programme 2: Municipal Resource Management | 7,1 | 7,8 | 8,2 | 8,7 |  0,7 |  0,3 | 10,13% | 3,60% |
| Sub-programme 3: Municipal Finance | 33,8 | 31,5 | 30,1 | 31,7 | - 2,3 | - 4,2 | -6,84% | -12,36% |
| Sub-programme 4: Citizen Engagement | 8,3 | 6,7 | 7,3 | 7,7 | - 1,6 | - 2,0 | -19,02% | -23,82% |
| Sub-programme 5: Anti-corruption and Good Governance | 5,5 | 7,3 | 5,5 | 5,8 |  1,8 |  1,4 | 33,41% | 25,50% |
| Sub-programme 6: Municipal Property Rates | 13,3 | 18,0 | 19,0 | 20,3 |  4,8 |  3,7 | 35,89% | 27,84% |
| Sub-programme 7: Local Government Equitable Share | 52 568,7 | 57 012,1 | 62 731,8 | 67 473,5 |  4 443,4 |  1 064,5 | 8,45% | 2,03% |
| Sub-programme 8: South African Local Government Association | 31,5 | 31,3 | 33,1 | 35,0 | - 0,2 | - 2,1 | -0,63% | -6,52% |
| Sub-programme 9: Municipal Systems Improvement Grant | 84,3 | 103,2 | 115,1 | 121,6 |  18,9 |  12,8 | 22,41% | 15,15% |
| Sub-programme 10: Department of Traditional Affairs | 129,8 | 145,0 | 154,2 | 164,3 |  15,2 |  6,6 | 11,72% | 5,10% |
| Sub-programme 11: United Cities and Local Government of Africa |  –  | 6,4 | 6,8 | 7,2 |  6,4 |  6,0 |  |  |
| **TOTAL** |  **52 888,0** |  **57 372,8** |  **63 114,4** |  **67 879,5** |  **4 484,8** |  **1 084,5** | **8,48%** | **2,05%** |

The Graph below emphasizes the point that the LGES, not only constitutes the bulk of the allocation for the Programme, but also for the Department as a whole.

Graph 4:

## Programme 4: National Disaster Management Centre

As the Table below indicates, the allocation to Programme 4 decreases by 16.6%, from R588,9 million in 2016/17 to R521.9 million in 2017/18. The bulk of this reduction relates to the Municipal Disaster Recovery Grant (sub-programme 8), which is not allocated any budget in 2017/18. Section 26 of the 2017 Division of Revenue Bill allows for funds allocated to the Municipal Disaster Grant to be transferred to provinces if funds in the Provincial Disaster Grant have already been exhausted, and vice versa.[[7]](#footnote-7) The Provincial Disaster Grant was used up in the implementation of mitigation strategies against the ongoing drought.

Despite the overall decrease in Programme allocation, spending on Disaster Risk Reduction, Capacity Building and Intervention (sub-programme 2) is expected to increase by 79,2%, from R28 million in 2016/17 to R53,4 million in 2017/18. This is the second largest expenditure item on this Programme, after the Disaster Relief Grant (sub-programme 7).

Table 5:

| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** |  **2016/17-2017/18** |  **2016/17-2017/18** |
| Sub-programme 1: Management: Head of Disaster | 3,1 | 3,6 | 3,8 | 4,1 |  0,5 |  0,3 | 15,42% | 8,58% |
| Sub-programme 2: Disaster Risk Reduction, Capacity Building and Intervention | 28,0 | 53,4 | 53,9 | 56,9 |  25,4 |  22,2 | 90,57% | 79,27% |
| Programme 3: Legislation and Policy Management | 5,1 | 6,1 | 6,4 | 6,8 |  1,0 |  0,6 | 18,79% | 11,75% |
| Programme 4: Integrated Provincial Disaster Management Support, Monitoring and Evaluation Systems | 3,7 | 4,3 | 4,5 | 4,8 |  0,6 |  0,4 | 16,88% | 9,95% |
| Programme 5: Fire Services | 3,1 | 3,3 | 3,5 | 3,7 |  0,2 |  0,0 | 5,88% | -0,40% |
| Programme 6: Information Technology, Intelligence and Information Management Systems | 24,4 | 27,6 | 27,0 | 28,7 |  3,2 |  1,5 | 12,93% | 6,24% |
| Programme 7: Disaster Relief Grant | 381,5 | 423,7 | 501,2 | 473,4 |  42,2 |  17,1 | 11,07% | 4,49% |
| Programme 8: Municipal Disaster Recovery Grant | 140,0 |  –  |  –  |  –  | - 140,0 | - 140,0 | -100,00% | -100,00% |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** |  **588,9** |  **521,9** |  **600,2** |  **578,4** | **- 67,0** | **- 97,9** | **-11,37%** | **-16,63%** |

Graph 5 below illustrates that the bulk of the expenditure in this Programme is concentrated on the Disaster Relief Grant (sub-programme 7), whose allocation increases by 4,4% in real terms – from R381,5 million in 2016/17 to R423,7 million in 2017/18. This is followed by sub-programme 2, as previously highlighted.

Graph 5:

## Programme 5: Local Government Support and Intervention Management

The overall allocation to the Programme decreases by 1.7 percent in real terms, and most of this decrease relates to Municipal Performance Monitoring (sub-programme 2) whose allocation decreases by almost 100%, from R322.8 million in 2016/17 to R13.4 million in 2017/18.

Table 6:

| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** |  **2016/17-2017/18** |  **2016/17-2017/18** |
| Sub-programme 1: Management: Local Government Support and Interventions | 3,9 | 3,3 | 3,5 | 3,7 | - 0,6 | - 0,8 | -16,36% | -21,32% |
| Sub-programme 2: Municipal Performance Monitoring | 322,8 | 13,4 | 11,1 | 11,9 | - 309,3 | - 310,1 | -95,84% | -96,08% |
| Sub-programme 3: Local Government Improvement Programme  | 29,2 | 30,5 | 26,0 | 27,9 |  1,2 | - 0,6 | 4,21% | -1,96% |
| Sub-programme 4: Litigation and Interventions | 11,1 | 12,4 | 8,7 | 9,3 |  1,3 |  0,6 | 11,69% | 5,07% |
| Sub-Programme 5: Municipal Infrastructure Administration | 35,6 | 34,1 | 37,4 | 39,7 | - 1,5 | - 3,5 | -4,22% | -9,90% |
| Programme 6: Municipal Infrastructure Grant  | 14 914,0 | 15 891,3 | 16 787,7 | 17 733,7 |  977,2 |  35,4 | 6,55% | 0,24% |
| Programme 7: Municipal Infrastructure Support Agency | 349,9 | 381,5 | 351,2 | 370,7 |  31,6 |  9,0 | 9,03% | 2,57% |
| **TOTAL** |  **15 666,5** |  **16 366,4** |  **17 225,7** |  **18 197,0** |  **699,9** | **- 270,1** | **4,47%** | **-1,72%** |

The Graph below indicates that the bulk of the allocation to this Programme (96.8%) relates to the Municipal Infrastructure Grant *(*sub-programme 6)*,* which is the second largest expenditure item in the Department, after the LGES. Allocation to the sub-programme indicates a small increase of 0.2% in real terms, from R14.9 billion in 2016/17 to R15.8 billion in 2017/18.

Graph 6:

## Programme 6: Community Work Programme (CWP)

Programme 6 receives the highest increase in budget allocation, from R3,1 billion in 2016/17 to R3,6 billion in 2017/18, as indicated in Table 7 below. Most of this is reflected in sub-programme 1.

Table 7:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** |  **2016/17-2017/18** |  **2016/17-2017/18** |
| Sub-programme 1: Management: Community Work Programme | 3 140,8 | 3 643,0 | 3 754,1 | 3 959,4 |  502,3 |  286,4 | 15,99% | 9,12% |
| Sub-programme 2: Programme Coordination | 38,5 | 40,4 | 42,6 | 45,3 |  1,8 | - 0,6 | 4,76% | -1,45% |
| Sub-programme 3: Partnerships, Norms, Standards and Innovation | 11,9 | 12,5 | 13,2 | 14,0 |  0,6 | - 0,2 | 4,74% | -1,47% |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** |  **3 191,2** |  **3 695,9** |  **3 809,9** |  **4 018,6** |  **504,7** |  **285,6** | **15,81%** | **8,95%** |

The Graph below shows that the bulk of the allocation to Programme 6 resides in sub-programme 1, as previously highlighted.

Graph 7:

## Department of Traditional Affairs

The Department’s budget allocation for the 2017/18 financial year increases by 5%, from R129 million to R145 million, as indicated in Table 8 below. Most of this increase relates to Programme 1: (Administration) whose allocation increases in real terms by 23.1%, from R28,8 million in 2016/17 to R37,7 million 2017/18. Most of this increase relates to the fact that the allocation to the Internal Audit has increased by more 100%, from R2.3 million in 2016/17 to R4.9 million in 2017/18, followed by a 21.8% increase in allocation to Corporate Services, from R11.5 million in 2016/17 to R14.9 million in 2017/18. The last substantial increase relates to the Management of Traditional Affairs whose allocation increases from R9.3 million to R11.3 million. Allocation to Programme 3: (Institutional Support and Coordination), on the other hand decreases in real terms by almost 1%. The Programme oversees the enactment of the Traditional Leadership and Khoi-San Bill, which is presently undergoing parliamentary consultation processes.

Table 8:

| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** |  **2016/17-2017/18** |  **2016/17-2017/18** |
| Programme 1: Administration |  28,8 |  37,7 |  39,8 |  42,0 |  8,9 |  6,7 | 30,90% | 23,14% |
| Programme 2: Research, Policy and Legislation |  17,1 |  19,0 |  20,9 |  22,8 |  1,9 |  0,8 | 11,11% | 4,53% |
| Programme 3: Institutional Support and Coordination  |  83,9 |  88,3 |  93,5 |  99,5 |  4,4 | - 0,8 | 5,24% | -0,99% |
| **TOTAL** |  **129,8** |  **145,0** |  154,2 |  164,3 |  **15,2** |  **6,6** | **11,71%** | **5,09%** |

The bulk of the Department’s expenditure, as the Graph below illustrates, is concentrated on Programme 3, despite having received a negative increase for 2017/18. This is due to the fact that the Programme disburses transfers to other departmental entities, namely the National House of Traditional Leaders, the Commission for the Protection and Promotion of the Rights of Cultural, Religious and Linguistic Communities, and the Commission on Traditional Leadership Disputes and Claims.

Graph 8:

1. **IMPLEMENTATION of 2016/17 RECOMMENDATIONS**

The following information below is progress report regarding the implementation of 2016/17 recommendations by the Department of CoGTA.

|  |  |
| --- | --- |
| **2016/17 Recommendations** | **Progress** |
| 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. | Regular reports were provided to the Committee on the amalgamated municipalities. |
| 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. | No meeting with regard to this issue was held, |
| 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. | Regular reports will be provided to the committee |
| 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. | The Department will report to the committee whether the appointments were made in compliance with the regulations |
| 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. CoGTA must report to the Committee on a quarterly basis on progress made regarding payment of government debt to municipalities. | Regular reports and monitoring done by the committee  |
| CRL should assist to ensure that there is greater transparency amongst the churches | Report on this issue will be considered by the committee  |

1. **COMMITTEE OBSERVATIONS**

7.1 The presentations by the Department and its entities was appreciated and interrogated by Members of the Committee.

7.2 The Committee noted that, according to the 2017 MTEF Budget Allocations, DCoG will have a decrease of R142.725 million in 2017/18, due to budget cuts.

7.3 The Committee noted with concern the decrease in Programme 2: Regional and urban development and questioned how this decrease will affect the operations of municipalities.

7.4 The Committee observed with concern that the debt owed to municipalities by national and provincial government departments was still not adequately addressed. Even though there are agreements in place the debt had increased to R3 billion.

7.5 The Committee noted with concern that the DCoG had not finalised the Local Government Laws Amendment Bill which was approved by Cabinet on 16 March 2016.

7.6 The Committee observed the continued challenges in the administration of the CWP.

7.7 The Committee welcomed the ten-point plan as the basis for the implementation of the next phase of the Back to Basics programme.

7.8 The Institutionalization of the Back to Basics programme within the Department was much appreciated by the Committee

1. **COMMITTEE RECOMMENDATIONS**

8.1 The Committee advises that DCOG and National Treasury should monitor the adherence to the agreements between municipalities, Eskom and Water Boards to ensure that proactive interventions can be made if a municipality fails to pay for services rendered.

8.2 The Department should report to the Committee on a quarterly basis on progress made with regard to payment of government debt to municipalities;

8.3 Salga should have continuous engagements with Eskom to assist the municipalities with the issues of payment of bulk electricity accounts;

8.4 National Treasury should brief the committee on the activities of the Municipal Financial Recovery Service;

8.5 MISA should brief the Committee, by June 2017, on what action plan they have in place to strengthen controls in supply chain management, the management of performance information as well as human resource capacity.

8.6 The Committee requests that the DCOG improves the management of the CWP contracts signed with implementing agents; an asset register for CWP that adheres to the minimum requirements for an asset register, as prescribed by National Treasury must be maintained by the Department.

8.7 The Committee must organise a workshop with the CRL rights commission and other relevant Portfolio Committees, to discuss the challenges of initiation and religious institutions.

8.8 The Department should brief the committee by June 2017 on when the Local Government: Laws Amendment Bill will be finalised and brought for Parliamentary processing.

Further, the Committee is encouraged by the Annual Performance Plans for 2017/18 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 2017/18 budget allocation to the Department of Cooperative Governance and Traditional Affairs and its entities, be approved.

Report to be considered.

1. DCoG (2017). [↑](#footnote-ref-1)
2. Gordhan (2017). [↑](#footnote-ref-2)
3. Ibid. [↑](#footnote-ref-3)
4. NPC (2011). [↑](#footnote-ref-4)
5. DTA (2017). [↑](#footnote-ref-5)
6. Division of Revenue Bill (2017). [↑](#footnote-ref-6)
7. Division of Revenue Bill (2017). [↑](#footnote-ref-7)