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| **1. REPORT OF THE SELECT COMMITTEE ON TRANSPORT, PUBLIC SERVICES AND ADMINISTRATION, PUBLIC WORKS AND INFRASTRUCTURE ON THE ADJUSTED ALLOCATIONS OF BUDGET VOTE 11: PUBLIC SERVICE AND ADMINISTRATION, DATED 17 JULY 2020** The Select Committee on Transport, Public Service and Administration, Public Works and Infrastructure (hereinafter referred to as the Select Committee), having considered the directive of the National Council of Provinces (the Council) to consider and report on the adjustment allocation of Budget Vote 11: Public Service and Administration, reports as follows:  |

1. **INTRODUCTION**

South Africa is among countries worldwide seized with managing the outbreak of the Coronavirus 2019 (hereafter referred to as COVID-19) which has been declared a global pandemic by the World Health Organisation. The emergence of the COVID-19 pandemic has had a devastating effect on the health, economic and social systems of most countries around the globe. In South Africa contexts, its impact is already observable in the resources of government and has put a strain in its delivery capacity and the country’s ability to meet its NDP priorities. In April 2020, the President announced a R500 billion fiscal support in response to COVID-19 and revised priorities.

Section 30(2) of the PFMA specifies the type of spending that the adjustments budget may provide for. This special adjustments appropriation makes provision for:

• Adjustments due to significant and unforeseeable economic and financial events: these adjustments are required due to a significant reduction in government revenues and changes in spending priorities in response to the COVID-19 pandemic.

• Virements and shifts within the vote: a virement is the use of unspent funds from amounts appropriated under one main division (programme) to defray excess expenditure under another main division (programme) within the same vote. Section 43 of the PFMA, read together with Treasury regulation 6.3 and section 5 of the Appropriation Act (2020), sets out the parameters within which virements may take place. The virements included in this adjustments budget are mainly those intended to respond to COVID-19.

In considering revised strategic, annual performance plans and special adjustment budget, the Committee ensured that the Department of Public Service and Administration and the Centre for Public Service Innovation plans and budget allocations are in line with the Medium Term Strategic Plan 2019/24.

The Select Committee on Transport, Public Service and Administration considered the adjustments budget of the Department on 8 July 2020 in a joint meeting with the Portfolio Committee on Public Service and Administration considered presentations on the revised Strategic and Annual Performance Plans and budget allocation of the Department of Public Service and Administration and the Centre for Public Service Innovation. This report summarises the presentations received from the Department of Public Service and Administration and the Centre for Public Service Innovation, focusing on the 2019/24 revised Strategic Plans and 2020/21 Annual Performance Plans and special adjustment Budget.

1. **THE IMPLICATIONS OF THE COVID-19 PANDEMIC ON THE MANDATE OF THE DEPARTMENT**

The Department of Public Service and Administration is expected to implement and coordinate interventions aimed at achieving an efficient, effective and development-oriented public service, which is an essential element of a capable and developmental state as envisioned in the National Development Plan (NDP) 2030. The Constitution of the Republic of South Africa envisages a Public Service that is professional, accountable and development-oriented. The mandate of the Department remains the same over five-year period even under COVID-19 pandemic.

1. **ANALYSIS OF THE REVISED BUDGET ON EACH PROGRAM**
	1. **ADJUSTED BUDGET**

The Department of Public Service and Administration’s overall budget allocation as at February 2020/21 was R565.7 million, compared to the revised budget as at June 2020/21, which is R479.7 million. This represents a downward revision by R86 million. The total reduction was made from Goods and Services, which was reprioritised for personal protective equipment; Compensation of Employees – involving suspension of filling vacancies; and Departmental Transfers to the Centre for Public Service and Innovation. Total Virements is R1 529 million, made from Programme 1: Administration (R1.4 million) and Programme 5: Service Delivery Support (R120 000). The Department’s budget is divided into six programmes. The main cost drivers are Programme 1: Administration (R233.0 million, down from R258.3 million); Programme 5: Service Delivery Support (R82.6 million, down from R101.4 million) and Programme 3: Public Service Employment and Conditions of Service (R62.5 million, down from R77.7 million).

**Table 1: Revised budget**

Source: National Treasury (2020)

* 1. **PERFORMANCE PROGRAMMES**

The Department has six programmes which are as follows:

* + 1. **Programme 1: Administration**

The purpose of this programme is to provide strategic leadership, management and support services to the Department, and coordinate the Department’s international relations. The budget for Programme 1 decreased from R258.3 million in February 2020/21 to R233.0 million in June 2020/21. This represents a downward revision of R25.1 million (8 per cent). Of this amount, R8 977 million was taken from compensation of employees, whilst the remaining R16

198 million comes from Goods and Services. Virements under this Programme amount to R1 4 million, which is re-allocated to the Programme for COVID-19 purposes.

The programme is the main cost driver under this Vote, consuming 48.57 per cent of the overall allocation. In the main appropriation of February 2020, the main cost drivers under this programme were the Corporate Services (at R93.2 million); Office Accommodation (at R59.3 million); Ministry (at R37.8 million); and Finance Administration (at R30.5 million) sub-programmes. Prioritisation of the Budget in this manner is justified, as Corporate Services also include the Centre for Public Service Innovation’s activities. There is one Corporate Services for the Department, including established government components.

* + 1. **Programme 2: Policy Development, Research and Analysis**

This programme is responsible for managing and overseeing the setting and translation of public administration norms and standards into administrative policy instruments, using research and policy analysis techniques. It is also responsible for managing the organisational functionality assessments of public service efficiency and effectiveness, which informs public administration reforms.

The budget allocation for Programme 2 decreased from R39.5 million in February 2020/21 to R33.8 million in June 2020. This means that the downward revision amounted to R5.7 million, R2.6 million from compensation of employees and R3.1 million from Goods and Services. This programme consumes the second smallest portion (7.04 per cent) of the overall budget. The bulk of the Programme’s budget (R16.6 million) was allocated to the Public Service Performance, Monitoring and Evaluation sub-programme in February 2020. This sub-programme measures organisational performance, functionality and productivity through the monitoring and evaluation of public service norms and standards, which are derived from the performance information of public service regulatory instruments. The extent to which this sub-programme will be affected by the downward adjustment of the Programme’s budget, remains to be seen.

Of the seven sub-programmes under this programme, Public Service Performance, Monitoring and Evaluation is one of only two sub-programmes that experienced real growth at 17.78 per cent in February 2020. This was in line with the Department’s spending priorities as this programme develops policy and instruments to measure productivity and performance by the Department itself and the entire public service. This is in line with the priority of developing a capable State. Given that sub-programmes 2: Policy Oversight, Development and Knowledge Management; 3: Public Administration Policy Analysis; and 7: Public Service Access Norms and Mechanisms already experienced decreases in the main appropriation in February 2020.

* + 1. **Programme 3: Public Service Employment and Conditions of Services**

Programme 3: Public Service Employment and Conditions of Service (formerly known as Labour Relations and Human Resource Management) develops, implements and monitors labour relations, human resource management and remuneration policies and guidelines. It also ensures coordinated collective bargaining and monitors the vacancy rate. Programme 3’s initial allocation in February 2020/21 was R77.6 million, which was revised downward to R62.5 million in June 2020/21. This is a downward revision by R15.1 million (i.e. 19 per cent). Programme 3 accounts for 13.02 per cent of the total budget vote in 2020/21. The Programme’s budget is relatively bigger, as it caters for Negotiations and Discipline Management; Human Resource Development; Remuneration and Job Grading; Employee Benefits; Human Resource Planning and Performance Management for the entire Public Service.

This Programme responds to the Department’s policy priority on developing and supporting the implementation of health and wellness frameworks and policies. Accordingly, the main cost drivers of the Programme were Employee Benefits at R28.5 million and Employment Practices and Performance Management at R13.4 million in February 2020/21, which disburses performance bonuses and notch increases for those who performed beyond the normal rate. However, the allocations to both these sub-programmes will definitely experience a decrease in allocation in terms of the adjustment budget. The Department provided an explanation on how it reallocated funds under the Programme and its sub-programmes.

* + 1. **Programme 4: Government Chief Information Officer**

The Government Chief Information Officer programme creates an environment for the deployment of information technology (IT) as a strategic tool of public administration. It minimises, controls and maintains IT related risks and costs in the public service. This programme received the smallest allocation, i.e. 5.05 per cent share or R28.6 million of the total Vote in February 2020/21. However, the allocation was revised downward by a significant R10.6 million (37 per cent) to R17.9 million in the adjustment budget, which leaves it consuming only 3.73 per cent of the overall allocation to the Programme.

* + 1. **Programme 5: Service Delivery Support**

The Service Delivery Support Programme (Programme 5) manages and facilitates the improvement of service delivery in Government. The budget allocation for Programme 5 increased from R99.2 million in 2019/20 to R101.4 million in February 2020/21, representing a nominal increase of R2.2 million or 2.22 per cent. In real terms, the budget allocation to the Programme decreased by -2.09 per cent between 2019/20 and 2020/21. However, the adjustment budget saw the budget allocation to the Programme revised downward further from R101.4 million to R82.6 million. This was a downward revision by R18.7 million (18 per cent). The virement within the Programme amounted to R120 000, which was re-allocated to the Programme for COVID-19 purposes. Programme 5, at 17.2 per cent share of the overall Vote allocation, represents the second largest share allocation of the total budget Vote in June 2020.

* + 1. **Programme 6: Governance of Public Administration**

The Governance of Public Administration Programme manages and oversees the implementation of policies, strategies and programmes on public service integrity, intergovernmental relations, the macro organisation of the state, organisational design and senior leadership management. It also manages government intervention programmes. The budget allocation for Programme 6 decreased from R60.2 million in February 2020 to R49.6 million in June 2020, representing a significant downward revision by R10.5 million. This Programme, at 10.33 per cent share, represents the fourth largest share allocation of the total budget vote in 2020/21. The main cost drivers in February 2020 were the Ethics and Integrity Management sub-programme at R22.5 million and the Organisational Design and Macro Organisation of the Public Service sub-programme at R9.9 million. The Ethics and Integrity Management sub-programme is also mainly responsible for the significant growth of 37.27 per cent experienced by the Programme in February 2020.

This was in line with the Department’s stated priorities of *ensuring that there are efficient and effective management and operational systems; promoting ethical behaviour in the Public Service* and *increasing responsiveness and accountability to citizens.* Concerning the Organisational Design and Macro Organisation of the Public Service, the departments were reconfigured in June 2019, following the national general elections. The amount of Departments were reduced from 36 to 28, with mergers in some.

1. **OBSERVATIONS AND FINDINGS**

The Committee identified the following matters in relation to Budget Vote 11 in the special adjustment budget:

* 1. The Committee notes and welcomed the presentations on the Strategic Plans and Annual Performance Plans as well as special adjustment budget of the Department of Public Service and Administration and the Centre for Public Service Innovation. Both the Department and the Centre’s Strategic Plans were not revised, except that some 2020/21 targets were either reduced or deferred due to revised budget allocations. The APP targets of the Department and the Centre remain the same, however with minor revisions in selected programmes and their sub-targets.
	2. The Committee notes that budget reduction of R86 million will not hugely hamper services in the Department since the budget cuts were derived from goods and services, mostly for logistical purposes (monies for traveling and accommodation).
	3. The Committee further notes the impact of COVID-19 in delaying the processing of the Public Service Amendment Bill and the Public Administration Management Amendment Bill due to the nature of the consultation on the amendments. These Bills will therefore need to be further reviewed to take into consideration the consultations delayed by the impact of the COVID-19 pandemic.
	4. The impact of the COVID-19 pandemic is compelling governments worldwide to invest more in digital technology in the public sector, because in future public services will be delivered through information technology. The Committee was of the firm view that the Department has to play a meaningful role in delivering e-government to the citizens to ensure efficient services.
	5. The Committee supports the Department in reviewing its policies to accommodate issues such as working remotely and delivering services on a virtual platform, as it is responsible for the conditions of service and management systems in the public service.
	6. The Committee notes the revision of targets on the full implementation of the Organisational Functionality Assessment Tool to allow time to pilot the tool and due to human resource capacity to fully implement the project. The aim of the Tool is to support government departments to perform their functions effectively and to enhance efficiency.
	7. The Committee was concerned about delays in realising the full implementation of the Public Administration, Ethics, Integrity and Disciplinary Technical Assistance Unit, especially with regard to ensuring ethical conduct and preventing officials from doing business with the State, since the Minister has signed the organisational structure. The Department was urged to fill funded vacancies in the Technical Assistance Unit in order for the unit to commerce with its mandate of tackling unethical conduct in the public service.
	8. The Committee further notes the replacement of the development of the wage setting mechanism for the public service with the commencement of research work concerning the Personnel Expenditure Review. The Department anticipates commencing with the wage setting mechanism in 2022. The Department issued a tender to commence with research work.
	9. The Committee notes the revision of quarterly target on the proposed system (Business Processes Modernisation Programme) architecture to be developed in the 2021/22 financial year.
	10. The Committee notes that the Centre for Public Service Innovation’s Annual Performance Plan will remain the same, however some of the targets will be affected due to budget cuts to fund COVID-19 priorities.
	11. The Committee urged the Centre to ensure value for money in replication projects where there will be no site visits.
1. **RECOMMENDATIONS**

The Committee recommends that the Minister, through the Department, should ensure the following:

* 1. The Department should fast-track the processing of the amendments of the Public Service Amendment Bill and the Public Administration Management Amendment Bill, which were delayed as a result of the COVID-19 pandemic. The Department should commence conceptualising the amendments despite the impact of the COVID-19 pandemic.
	2. The Department should continue monitoring the vacancy rate in the public service, especially in light of the significant reduction experienced in the compensation of employees and, therefore, measure the impact on service delivery.
	3. The Department should, in a rapidly evolving and digital technologies, take a leading role in fundamental transformation to modify the manner in which government services are rendered through digital services, which will speed up service delivery in the public service. The Department should collaborate with relevant agencies like the State Information and Technology Agency (SITA).
	4. The Department should collaborate with the Department of Communication and Digital Technologies on the e-government strategy to digitise the public service and report to the Committee in September 2020.
	5. The Department should speed up the review of its policies to accommodate issues such as working remotely and delivering services on a virtual platform. The Department should ensure that technology is at the centre of working remotely, meaning more focus on technology equipment and data to enable public servants to effectively perform their duties.
	6. The Department should speed up the functionality of the Public Administration, Ethics, Integrity and Technical Assistant Unit to tackle unethical conduct in the public service. The Department should ensure that crucial funded vacancies are filled, even during the COVID-19 pandemic.
	7. The Department should remain focused on the intent to reduce the wage bill and to ensure that negotiations with organised labour in this regard remain in place until it is resolved.
	8. The Department should ensure that audit outcomes remain positive and aligned with revised targets.
	9. The Department should use the cost-saving measures imposed by the pandemic as a yardstick for reducing unnecessary expenditure, so that more is still done with resources available.
	10. The Department should ensure that discipline in the public service is not compromised, by ensuring that suspensions and attendant processes are implemented timeously.
1. **CONCLUSION**

The Committee notes the impact of the special adjustment budget on the Department and the Centre for Public Service Innovation programmes and activities. Although the budget cuts impacted on some programmes and activities, the Committee was pleased to learn from the Department that the Strategic Plan and Annual Performance Plan will remain unchanged.

The Committee recommends that the Council approves the special adjustment budget of Budget Vote 11: Public Service and Administration.

[The DA reserved its position on the Report and abstained. The EFF objected to the Report.]

Report to be considered.