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Imibuzo:	Inkomba Yami: 2020/2021	Usuku:
Navrae:	My Verwysing: APP	Datum:

SUBMISSION

FOR ATTENTION : THE PORTFOLIO COMMITTEE

**FROM : THE HONOURABLE S. E. HLOMUKA
MEC: DEPARTMENT OF COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS**

SUBJECT : IMPACT OF BUDGET CUTS ON THE 2020/2021 APP

DATE : 17 AUGUST 2020

IMPACT OF BUDGET CUTS ON THE 2020/2021 APP

1. BACKGROUND

- a. The 2020/2021 Annual Performance Plan (APP) was submitted to the Provincial Legislature and the 2020/2021 Annual Operational Plan (AOP) submitted to the Office of the Premier on 31 March 2020.
- b. Subsequent to the finalization of these documents, the country implemented a National State of Disaster due to the COVID-19 pandemic. This necessitated the reprioritization of funding from the 2020/2021 Budget towards implementation of interventions in respect of the pandemic.
- c. The Department is expected to cut its 2020/2021 budget by an amount of R 408 million which has had an impact on service delivery projects contained in the 2020/2021 Annual Performance Plan.

2. DISCUSSION

- a. The Office of the Premier has engaged with the Department of Performance Monitoring and Evaluation (DPME) regarding the process to be followed regarding the amendment of the 2020/2021 APP.
- b. DPME has directed that the first quarter targets cannot be changed as the 2020/2021 APP was tabled to the Provincial Legislature. Quarter 1 targets will be reported on as they appear in the tabled 2020/2021 APP.
- c. The amended 2020/2021 APP contains targets for quarters 2, 3 and 4. These targets were only amended if there has been a reduction/removal of budget allocations.
- d. The Strategic Planning Unit has conducted an analysis of the Budget Cuts in order to identify the affected indicators and targets.
- e. DPME has advised that when there is a decrease in targets, COVID-19 and budget cuts should not be used as an excuse for non-performance but rather a valid reason for changes i.e. changes being made must be **evidence based**.
- f. It must be highlighted that the Auditor General will require this evidence during the audit process and therefore the Strategic Planning Unit will store this evidence for submission to the Auditor General.
- g. Furthermore, the Department is required to reflect outputs that are related to COVID-19 support in the amended 2020/2021 APP.

3. IMPACT OF BUDGET CUTS ON THE 2020/2021 APP

- a. 31 of the 120 Indicators (approximately 26%) contained in the approved 2020/2021 APP were directly affected by the Budget Cuts.
- b. The amendments made to the 2020/2021 APP are as follows:

Directorate	Indicator Amended	Amendment Motivation	Comment
HCD	Percentage of Deputy and Assistant Directors assessed for competency	Budget cut by R 2 029 million – Indicator to be removed	Indicator removed from the APP
Auxiliary Services	Percentage of Departmental Buildings compliant with the Occupational Health and Safety Act	Amend Technical Indicator Description to include COVID-19 Compliance	Technical Indicator Description amended to include compliance with COVID Regulations
Monitoring	Number of Performance reviews conducted	Budget Cuts and the Covid-19 restrictions affect the hosting of a quarterly review session – amend the Technical Indicator Description	Technical Indicator Description amended to exclude quarterly review session
Municipal Finance	Number of Reports submitted on state of municipal finance in terms of section 131 of the MFMA	Finalization of section 131 Report moved to second quarter –	Target moved to the 2 nd quarter as per the amended deadline

Directorate	Indicator Amended	Amendment Motivation	Comment
		Amended Deadline is 7 August	
Capacity Building	Number of integrated capacity building strategy for local government	<u>Budget Cuts:</u> <ul style="list-style-type: none"> • Learnership Management System R500.000 • NQF 6 Public Service Communication - R1m, • NQF level 6 LED training - R1m, • Performance Management system R4.8m, • Powers and Functions R2.5m • Revenue and debt management R1.5m, • Indigent register R1.5m <p>- Amend Technical Indicator Description to remove accredited training</p>	Technical Indicator Description amended to exclude accredited training
	Number of municipalities capacitated on the Local Government Toolkit	Budget Cuts - Amend Technical Indicator Description to remove on site workshops and include one virtual workshop per quarter	Technical Indicator Description amended to exclude on site workshops and include one virtual workshop per quarter
Special Initiatives	Number of District Development Agencies supported to achieve 80% functionality	<p>Amend target from 10 to 7</p> <p>3 DDA's have stopped the operations of their agencies as follows: -</p> <ol style="list-style-type: none"> 1. The Zululand Development Agency has temporarily suspended operations owing to financial challenges this time of restrictions. 2. The King Cetshwayo has disestablished its operations and is in the 	Target reduced from 10 to 7

Directorate	Indicator Amended	Amendment Motivation	Comment
		process of reestablishment; and 3. Amajuba District municipality has had board members resign; therefore, the board is now non-existent. The municipality is in the process of reestablishment.	
	Number of small towns rehabilitated	Budget Cut of R 10 million – Reduce Target from 4 to 2 due to funding committed for the 2	Target Reduced to 2
	Number of municipalities monitored on the implementation of the Red Tape Reduction Framework	Reduction in target from 54 to 41. Local Municipalities fulfill the function and not the District. Further reduction was done by excluding eThekweni, Kwadukuza and Alfred Duma due to current support by other stakeholders.	Target reduced from 54 to 41
	Number of municipalities supported to institutionalize the Township/Village economy strategy	Budget Cut of R 2,120 million - amend indicator to: Number of municipalities supported with alignment to the Township/ Village economy concept and reduce target to 44- National process is delayed and the Local municipalities only fulfill this function	Indicator reworded to: Number of municipalities supported with alignment to the Township/ Village economy concept and target reduced to 44
CWP	Number of CWP work opportunities monitored	Budget Cuts – amend indicator to Number of Municipalities supported to implement the Community Works Programme as the targeted number of jobs will not be created	Indicator amended to Number of Municipalities supported to implement the Community Works Programme

Directorate	Indicator Amended	Amendment Motivation	Comment
		due to the financial constraints	
EPWP	Number of EPWP work opportunities created	Budget Cut of R 19,777 million – amend target to 250 due to budget cuts	Target reduced from 1500 to 250
CSCs	Number of identified CSCs Rehabilitated/ maintained	Budget Cut of R8.353m – amend target to 11 due to budget cuts	Target Reduced from 39 to 11
	Number of Imizi Yezizwe rehabilitated	Budget Cut of R31.4 million – amend target 2 due to budget cuts	Target Reduced from 25 to 2
Spatial Planning	Number of reviewed Provincial SDFs adopted	Budget of R1.149m has been cut Amend indicator to: Number of Draft Provincial SDFs developed. The Current Pandemic restricts public engagements, and this would hinder the finalization of the SDF	Indicator Amended to: Number of Draft Provincial SDFs developed
	Number of Schemes for historical spatially segregated towns reviewed	Budget Cut of R750 000 has been cut – remove indicator	Indicator removed
	Number of Land Use Schemes compliant with SPLUMA development principle provisions	Budget Cut of R 467 000 – reduce target from 29 to 17 due to the reduction in budget.	Target reduced from 29 to 17
Land Use Management	Number of Municipalities supported towards establishing functional Municipal Enforcement Units	Budget Cuts – remove indicator The assessment done of Municipalities in the 4th quarter through telephonic engagement has revealed that the situation in municipalities with regards enforcement is far dire and wider than anticipated. This will require intense support to rectify including possible intervention options like	Indicator removed

Directorate	Indicator Amended	Amendment Motivation	Comment
		secondments, shared services etc. Simple virtual support will not necessarily enable us to achieve what the original target set. This is because our ability to engage physically is limited and the municipality's ability to enforce physically is also limited. The limitations are both because of the Covid restrictions on movement and engagements and because the restrictions have severely limited our staffing capacity	
	Number of Provincial Norms and Standards developed	Budget cut of R 762 000. Amend indicator to: Number of Draft Provincial Norms and Standards developed due to staff capacity and budget constraints	Indicator Amended to: Number of Draft Provincial Norms and Standards developed
Municipal Infrastructure	Number of Provincial Water Master Plans developed	Target to be moved to the 3 rd Quarter due to non-achievement in the 1 st quarter due to the pandemic	Target moved to the 3 rd quarter
	Number of Households electrified through grid connection	Budget Cuts of R 16.386 million – Reword indicator in order to provide support to municipalities. Due to budget cuts it will no longer be possible to complete these projects and thus cannot achieve energised household connections. The projects have been deferred to the next financial year 2021 and	Indicator has been reworded to Number of municipalities supported with the implementation of electrification programmes with a target of 15

Directorate	Indicator Amended	Amendment Motivation	Comment
		thus this target can be reinstated then	
	Number of alternative water resource supply programmes implemented in municipalities	Budget Cuts of R 65 million - Reduce target from 3 to 2.	Target reduced from 3 to 2
	Number of Municipal Water Conservation/ Water Demand Management strategies Implemented	Budget Cuts of R 65 million – Remove the Indicator	Indicator removed
	Number of Districts supported to improve spending on National Grants	Budget cuts R 1,2 million - the appointment of an external service provider to compliment current provincial capacity has fallen away. Amend indicator to Number of Districts monitored on the spending of National Grants	Indicator amended to Number of Districts monitored on the spending of National Grants
	Number of Districts supported with development of District Wide Infrastructure Plans	Budget Cuts – Indicator removed and rationalized with the Water Master Plan, which includes a chapter per district and similarly with the Energy Master Planning	Indicator removed
	Number of Energy Supply Management Strategy Developed	The Provincial Energy Supply variables are covered in the following: <ul style="list-style-type: none"> • State of Infrastructure Assessments (covered in the APP) • Asset Management Assessments (covered by Impofu) • Energy Master Plan (Indicator included in the amended APP) 	Indicator removed

Directorate	Indicator Amended	Amendment Motivation	Comment
Disaster Management	Number of Integrated Communication systems installed	Budget Cuts – remove indicator from the APP	Indicator removed from the APP but would be retained in the AOP
	Number of municipalities supported to maintain functional Disaster Management Centres	Budget Cuts of R 6 million – reword Technical Indicator Description to include supporting municipal institutional arrangements and remove the emergency relief equipment.	Technical Indicator Description amended to include supporting municipal institutional arrangements and remove the emergency relief equipment.
	Number of municipalities supported on Fire Brigade Services	Budget Cuts of R 6 million – reword Technical Indicator Description to include development of funding model for fire and rescue services due to funding from the Department being cut	Technical Indicator Description amended to include development of funding model for fire and rescue services
	Number of Districts and Metro supported with the development of Disaster Management Policies	Budget Cuts of R 1 million – reword Technical Indicator Description to include the development and reviewing of disaster management policy framework.	Technical Indicator Description amended to include the development and reviewing of disaster management policy framework.

NB: The Budget Cuts did not affect Programme Four: Traditional Affairs therefore no amendments were effected.

4. REPORTING IMPLICATIONS

- a. The reporting on the 2020/2021 APP would be done based on the original APP tabled in March 2020 and the amended APP to be tabled in August 2020.
- b. The first quarter reporting would have to be done based on the first quarter targets contained in the original APP and reporting for quarters 2, 3 and 4 would be based on the amended APP.
- c. The Annual Target contained in the amended APP would not include the quarter 1 target however it will be an accumulation of the quarter 2, 3 and 4 targets.
- d. The issue of reduced targets, i.e. the reasons for the reductions etc., will kept in evidence for the audit process which will be conducted by the Auditor General.
- e. Based on the implications mentioned above, clarity is being sought from the Office of the Premier in respect of the Annual Reporting process to be followed at the conclusion of the

financial year i.e. would the Department be required to produce 2 Annual reports due to the 2 APPs being tabled.

- f. Furthermore, the Budget Cuts and the COVID-19 pandemic have had implications on Strategic Pronouncements made in the State of the Province Address, Cabinet Lekgotla etc.
- g. Pronouncements affected are as follows:

Pronouncement Issue	Amendment implemented
<p>SOPA 2019 We will address backlogs and in fills using the INEP grant and our own budget as a Province.</p>	Indicator on Number of Households electrified through grid connection with a target of 450 has been reworded to Number of municipalities supported with the implementation of electrification programmes with a target of 15
<p>SOPA 2019 We will undertake to improve on our disaster response measures including establishing effective and functional early warning systems. We will achieve this by fast-tracking the installation of communication and early warning systems at the Provincial Disaster Management Centre.</p>	Indicator removed from the APP but retained in the Annual Operational Plan
<p>SOPA 2019 We have set a target of creating 40 500 work opportunities through Community Works Programme (CWP).</p>	Indicator reworded to Number of municipalities supported with the Community Works Programme with a target of 44. The number of Work Opportunities created will be reported on in the AOP
<p>SOPA 2020 We must ensure that all the Disaster Management Centres are properly resourced and capacitated</p>	Technical Indicator Description in the APP has been reworded to incorporate non-financial support due to budget cuts on emergency relief items
<p>Lekgotla 2019 Review the small town development initiative, considering spatial planning initiatives and linking these with industries and initiatives that will improve their sustainability.</p>	Small Town Rehabilitation target has been reduced from 4 to 2 in the APP
<p>Lekgotla 2019/Lekgotla 2020 Provincial Master Plan for water and sanitation should be developed that will talk to backlogs and the costing thereof, long term plans for the development of regional bulk schemes water</p>	Target has been moved from the first quarter to the third quarter in the APP due to COVID-19 restrictions

Pronouncement Issue	Amendment implemented
conservation and water tanker reduction programme.	
Lekgotla 2019 Develop and install early warning systems for forecasting of environmental impacts such as drought, flooding, and other related disasters.	Indicator removed from the APP but retained in the Annual Operational Plan

5. PROCESS AND WAY FORWARD

- a. The process of consultation with affected Business units took place from 13 July 2020 to 20 July 2020
- b. The APP was amended based on supporting evidence provided by the Finance Unit and affected business units.
- c. The Annual Operational Plan is also being amended in line with the amendments effected to the APP.
- d. Amended documents are required to be tabled/submitted to the Provincial Legislature and Office of the Premier on 24 August 2020.

6. RECOMMENDATION

It is recommended that the Honourable MEC approve the amended 2020/2021 Annual Performance Plan for submission to the Provincial Legislature

Submitted by:

Ms. A. Sekhesa
Chief Director: Strategic Planning,
Monitoring and Evaluation

Date

Supported/Not Supported

Ms. Y. Joyi
Chief Financial Officer

Date

Supported/Not Supported

Ms. T. Tubane
Head of Department

Date

Approved/Not Approved

Hon. S. E. Hlomuka
MEC: Department of Cooperative Governance
and Traditional Affairs

Date