Is the Western Cape social development budget for 2010/11 adequate to implement the Children's Act?

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Note: Please see www.ci.org.za for a comparative analysis of the budgets of all nine provincial departments of social development to see where Western Cape stands in relation to other provinces

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Introduction

Section 7(2) of the Bill of Rights in the South African Constitution places an obligation on the State to give effect to all the rights in the Bill of Rights. This includes children's constitutional rights to family care or alternative care[3], social services[4], and protection from abuse and neglect[5]. To meet its constitutional obligations government must ensure that the required conditions and services to fulfil these rights are available. The new Children's Act (No 38 of 2005) as amended by the Children's Amendment Act (No 41 of 2007) now clearly sets out what services government must provide to give effect to the rights listed above. These include:

- partial care facilities (creches)
- early childhood development programmes
- prevention and early intervention services
- drop-in centres
- protection services (including a support scheme for child headed households)
- foster care and cluster foster care
- adoption
- child and youth care centres (children's homes, places of safety, schools of industry, reform schools, secure care facilities, and shelters for street children).

To make these services available for the many vulnerable children that need them, government must allocate adequate budget to each service area. The Act says that the provincial MECs for Social Development are responsible for providing and funding all these services with the budgets allocated to them by the provincial legislatures. Monitoring the budget allocations and expenditure for these services is therefore a good way of measuring a province's progress in giving effect to the Children's Act. Monitoring is especially important in respect of the 2010/11 budget year given that the Children's Act came into full operation on 1 April 2010,[6] the first day of this financial year.

This document therefore examines what the budget estimates for the Western Cape Department of Social Development, as recorded under Vote 7, tell us about the provincial government's intentions in respect of implementing the Children's Act in 2010/11 and the following two years.

[3] Section 28(1)(b)
[4] Section 28(1)(c)
[5] Section 28(1)(d)
[6] 44 sections of the Children's Act 38 of 2005 came into operation on 1 July 2007. The rest of the Act and the Children's Amendment Act 41 of 2007, as well as the regulations, came into operation on 1 April 2010.

We note that already on the second page of the budget vote the Department acknowledges the importance of the Act and the related resourcing requirements. The relevant paragraph, which is also found in the Strategic Plan, reads as follows:

> *On 1 July 2007 certain sections of the Children's Act 2005, which do not need regulations to be operationalised, were promulgated. Since then the Amendment Bill has been accepted. A key challenge for the department is to ensure the human, infrastructural and financial resources required to implement the Act. In addition, we must ensure awareness of the Act and its implications for practice. The purpose of the Act is to monitor implementation of legislation, policies and international treaties, promote the rights, needs and best interests of children and ensure that these are given full consideration by private and public entities, individuals and organisations.*

This paper examines the extent to which the trends in allocated funds "rise" to meet the "key challenge".

Which parts of Vote 7 are relevant for the Children's Act?

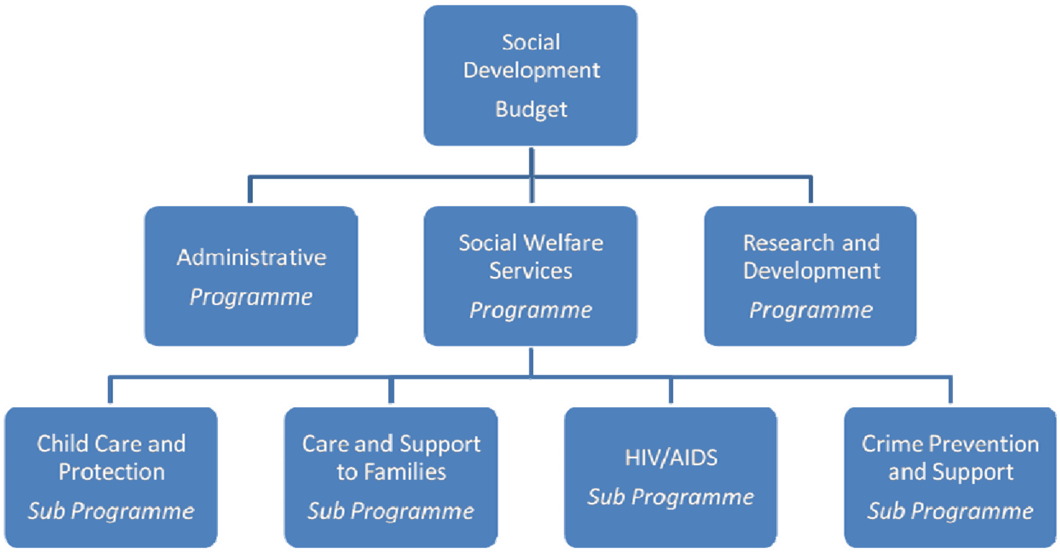
In all provinces except Gauteng, the social development vote has three budget programmes. Gauteng is an exception because health and social development fall under the same vote. But even in Gauteng, the two programmes for social development service delivery match the programmes for the other eight provinces.

Our analysis focuses on the budget for the **social welfare services** programme of the department's budget, as it is this programme that provides for the majority of the services envisaged in the Children's Act. There are three sub-programmes in the social welfare services programme which clearly contain Children's Act funding, namely:

- **child care and protection**;
- **HIV and Aids**; and
- **care and support to families**.

We also discuss the sub-programme for **crime prevention and support**. This sub-programme is important for at least two reasons. Firstly, it includes some services prescribed by the Children's Act. Secondly, it covers services related to the Child Justice Act, and there are a range of linkages between the Children's Act and the Child Justice Act. Like the Children's Act, the Child Justice Act came into full operation on 1 April 2010.

Other sub-programmes such as **victim empowerment** (within the social welfare services programme) and **youth development** (within the research and development programme) also contain pockets of Children's Act funding. The relevant amounts are, however, likely to be small in comparison to amounts in the other four sub-programmes. They are therefore not analysed here. The bottom row of the diagram on the next page shows the sub-programmes that we have included in our analysis.



The table below shows the budget sub-programmes into which the Children's Act services fall.

	Partial care and ECD	Drop-in centres	Prevention and early interventio n services	Protectio n services	Foster care and cluster foster care	Adoption and inter-country adoption	Child and youth care centres
Sub-programmes							
Child care and protection							Previously called places of safety, shelters, and children's homes
HIV and AIDS			Home based care	CHH mentorshi p scheme			
Family care and support			Parenting skills and child and family counselling				
Crime Prevention and support			Diversion programme s				Secure care centres

The analysis is based primarily on the *2010 Estimates of Provincial Expenditure*, the thick document that is tabled in the provincial legislature on budget day and that includes a separate chapter for each department (or "vote").

In addition to the estimates, the analysis also draws on information from the Department's *Stategic Plan 2010/11-2015/16*, the *Annual Performance Plan 2010/11* and the budget speech of the provincial MEC for Social Development of 23 March 2010. Examination of the first and second of these documents reveals that they contain large sections that are identical. The Strategic Plan is useful to the extent that it may give an indication of direction over the following five-year period. The Annual Performance Plan focuses on the immediate budget year. Among the most important things that it adds are the performance (service delivery) indicators. The Strategic Plan also has indicators, but they are limited to a single very general indicator per sub-programme.

The analysis also draws on information gathered during interviews. Interviews were conducted with representatives of eight Western Cape-based non-profit organisations (NPOs) as well as a senior official within the Western Cape Department of Social Development who deals with Children's Act services. The NPOs to be interviewed were chosen so as to span the different types of funding provided by government to NPOs, including stipends for early childhood development (ECD), subsidies for child and youth care centres (CYCCs), funding of social worker and other posts, and various forms of "programme funding".

Analysis of the 2010/11 budget

Estimates of Provincial Expenditure includes the estimates for the coming budget year (in this case, 2010/11), as well as medium-term expenditure framework (MTEF) estimates for the following two "outer" years (2011/12 and 2012/13 in this case). Only the first of the three years is voted on by the legislature and becomes the official budget. The numbers for the two outer years show what government plans to spend in those two years, but with the understanding that plans for these two years might change.

The publication of estimates for the outer two years allows us in the following year to compare government's proposed official budget for the "new" first year with the second year estimate of the previous year, and also to compare the "new" second year estimate with the third year estimate of the previous year. This shows us clearly how government's plans for specific years have changed between 2009 and 2010.

Table 1 compares the estimates published in the 2009 budget statement with those published in the 2010 budget statement. It does this for the four sub-programmes. The table shows both the actual amounts recorded for each year in 2009 and 2010, as well as the percentage change between the amounts published in 2009 and 2010 in respect of particular budget years. The estimates for 2009/10 in the table in respect of the 2010 budget statement are the adjusted estimates, i.e. the original allocation plus any adjustment decided on in the mid-year supplementary budget.

Table 1. Western Cape estimates for Children's Act related sub-programmes, 2009/10-2012/13 (R1 000s)

	2009/10	2010/11	2011/12	2012/13
Child care & protection				
2009/10 budget document	339075	386481	440645	
2010/11 budget document	334075	345931	354637	374944
% increase from 2009/10-2010/11 books	-1%	-10%	-20%	
Care & support to families				
2009/10 budget document	36037	38700	41022	
2010/11 budget document	36037	33795	35730	36117
% increase from 2009/10-2010/11 books	-19%	-23%	-21%	
HIV & AIDS				
2009/10 budget document	23903	26750	31481	
2010/11 budget document	23903	9116	9647	10199
% increase from 2009/10-2010/11 books	0%	-66%	-69%	
Crime prevention & support				
2009/10 budget document	110685	116818	125962	
2010/11 budget document	116354	116259	122260	129338
% increase from 2009/10-2010/11 books	5%	0%	-3%	

The **child care & protection** services sub-programme is the sub-programme that most directly relates to the Children's Act. It is also the biggest of the four sub-programmes studied in financial terms. Table 1 shows that substantially less is allocated for this sub-programme in 2010/11 and 2011/12 in the 2010 budget statement than was indicated in the 2009 budget statement. For the actual budget year of 2010/11, last year's budget book predicted an allocation of R386,48 million for child care & protection, while this year's gives an allocation of R345,93 million, which is 10% lower. Even more worrying, the estimate for 2011/12 in this year's budget book (R354,53 million) is 20% less than the estimate for the same year in the 2009 budget book (R440,65 million). In addition, the adjusted budget for 2009/10 was 1% lower than the original allocation.

A footnote to the budget table notes that the sub-programme allocation includes "earmarked" allocations of R179 804 000 (2010/11), R189 873 000 (2011/12) and R197 468 000 (2012/2013) in respect of Early Childhood Development (ECD). These earmarked allocations are monies that are specified in the provincial appropriation act. The per child per day subsidy for ECD in the province was R12 during 2009/10 and remains at this level for 2010/11. This is in line with the current national norm, although the national Department had previously indicated an intention to increase the norm to R15 per child per day.

In comparison with other provinces, Western Cape ranks fourth on the overall per capita allocation for this sub-programme when we divide the total allocation for the sub-programme by the estimated population aged 0-19 in 2007 (see Budlender & Proudlock, 2010). In 2010, Western Cape has a per capita allocation of R185 per child, as against a national average of R130 per child. The province's ranking has fallen from its third place in 2009.

Further cause for concern is that this sub-programme's share of the total social welfare budget decreases over the MTEF period. In 2009/10, the sub-programme's allocation accounted for 36% of the total allocation for the programme. For 2010/11, the share falls to 35%, while in 2011/12 and 2012/13 it is even lower, at 33%. The share for 2010/11 is lower than predicted in the 2009 budget book. The allocation trend is especially worrying given that the Children's Act, for which this child care & protection services is the most central sub-programme, came into full operation on 1 April 2010. One would thus have expected this sub-programme to get an increased, rather than decreased, share of the available funds for the MTEF period.

The MEC's budget speech states that the focus in this sub-programme will be on prevention and early intervention programmes for children and families to ensure that they are aware of their rights, responsibilities and available services; early intervention programmes focusing on children aged 12-18 years; training of social service professionals on implementation of the Children's Act; reunification programmes; and early childhood development (ECD). While all of these are important, they by no means span the full ambit of services that should be provided by this sub-programme in terms of the Children's Act. Key services that fall in this sub-programme and that were not mentioned in the speech include child and youth care centres, foster care placements, and child protection services for abused, abandoned and neglected children.

For the sub-programme **care & support services to families**, the picture provide by Table 1 is even more disappointing than for child care & protection services. In 2009/10, the adjusted budget was 19% smaller than the original allocations. For 2010/11, the allocation is 23% lower than suggested in the 2009 budget statement in respect of this same year. For 2011/12 the estimate is 21% lower in this year's budget book than in last year's. These funding patterns contradict the statement in the budget vote that "key priorities" for 2010/11 include "deepening of efforts to build resilient and functional families." It seems that part of the problem for this sub-programme might be delays on the part of the national Department as the narrative notes that a family policy was presented to national Cabinet on 25 February 2009 but the provinces were still waiting for the national Department to develop a Green Paper on the topic. The Annual Performance Plan notes as a risk that legislation in relation to families is "fragmented", and gives as the mitigating strategy that the national Department has drafted a family policy that is "under review". Delays on the part of national government are, however, not an adequate excuse for cutting back on allocations. However, in the absence of a national family policy, the Prevention and Early Intervention chapter of the Children's Act provides a clear indication of where the service emphasis should lie. This includes child and family counselling, parental skills programmes with especial focus on promoting the use of positive discipline and providing support to parents of children with disabilities, and programmes that help families to access the full range of government and NPO services.

The issue of families is reportedly something that the MEC takes seriously. The MEC's budget speech notes that the focus areas for this sub-programme will be integrated family preservation programmes that target families most at risk; a community-based mentoring programme for boys and young fathers; training and support groups for parents.

For **HIV & AIDS**, the picture shown in Table 1 is extremely worrying. For 2009/10 there were no adjustments through the mid-year budget. However, for 2010/11 and 2012/13 the amounts are 66-69% lower than those predicted for these years in the 2009 budget book. This contradicts the statement in the budget vote that interventions aimed at "those affected by HIV/Aids will be expanded" during 2010/11.

The allocation pattern is especially surprising in respect of 2010/11 in that a one-year conditional grant for home- and community-based services has been allocated to each province for this year to assist with funding of stipends for volunteer caregivers. Schedule 5 in the Division of Revenue Act allocates R1,188m to the Western Cape for this purpose and the same amount is recorded in the provincial Department of Health's vote. This means that the full amount of this conditional grant was allocated to Health despite the fact that the Act states that this grant is for both Health and Social Development. The review of 2009/10 in the budget vote states that 1 200 community care givers were receiving expanded public works programme (EPWP) training during that year, and 90 home- and community-based care programmes were being funded. It is not clear why these initiatives should not benefit from the conditional grant.

The large cuts in HIV and AIDS funding also seem to contradict the indicators of need in respect of HIV and AIDS provided in the socio-demographic profile of children contained in the Strategic Plan and Annual Performance Plan. These documents note that HIV and AIDS "is affecting the wellbeing of children in the Western Cape both in terms of the number of children infected and affected by HIV and AIDS. Projections indicate that the number of HIV infected children in the province will increase from 11,453 in 2006 to 17,499 by 2011 while the number of children orphaned by AIDS will increase from 29,830 in 2006 to 68,043 in 2011." The Annual Performance Plan foresees the number of people infected and affected by HIV and AIDS accessing social development services increasing from the current 30 000 to 40 000 by March 2015. It is not clear how this 33% increase in numbers reached can be achieved if budgets are decreased drastically.

The drastic cut in funding for the HIV and AIDS sub-programme is apparently the result of a perception that the sub-programme duplicates services provided by the Department of Health in respect of home-based care. It is for this reason that the full amount of the conditional grant has been allocated to Health. This reasoning seems to ignore the different foci of the two Departments, with Health focusing more on the medical and health-related aspects, while Social Development is meant to focus on other aspects including, importantly, services in relation to orphans and other vulnerable children (OVC) and their families. An NPO person working in the area and receiving some funding from the Department of Social Development said that they had been told that their focus must now be restricted to children. She noted that a focus only on children would result in neglect of the adults and thus encourage an increase in the number of OVC.

The Western Cape government has for some years received funding for HIV and AIDS from the Global Fund to Fight AIDS, Tuberculosis and Malaria. An extension of the funding was recently approved. The grant programme does include some provision for community-based organisations. However, the money is managed by the Department of Health and the grants to organisations are small. This funding will therefore not be of much, if any, assistance to the NPOs that have had their funding from DSD drastically reduced or stopped completely.

For **crime prevention and support**, Table 1 shows that the adjusted estimate for 2009/10 was 5% higher than the original allocation. In contrast, for 2010/11 the amount is slightly less than the predicted amount published in the 2009 budget book, while for 2011/12 there is a decrease of -3%. This pattern suggests progressive deprioritisation of this area of services

The MEC's budget speech states that the primary focus in this sub-programme will be on statutory services related to the Child Justice Act and Probation Services Act. Social crime prevention programmes will be a "secondary" focus. The relative deprioritisation of social crime prevention is surprising given that the Western Cape is widely seen as having serious crime problems to address, especially among youth.

The narrative in the Strategic Plan, in discussing risk management for this sub-programme, lists three funding-related risks, one of which refers explicitly to the Child Justice Act. Table 2 presents the risks as well as the planned mitigating strategies. The second mitigating strategy plans to draw on unpaid work of community members, most of whom will be from poor communities. This seems questionable when levels of unemployment are so high, and poor communities desperately need monetary income. It also seems counter-productive given that poverty increases the temptation to engage in crime.

Table 2. Planned risk management for crime prevention and support sub-programme

Risk	Mitigating strategy
Limited funding will impact on the full implementation of the Child Justice Act.	Train assistant probation officers to implement new diversion programmes.
Limited funding will impact on service delivery.	Train volunteers and community members.
Limited programmes due to insufficient funding.	Liaise and co-ordinate with substance abuse, children and families, sustainable livelihoods.

Table 3**Error! Reference source not found.** focuses on the estimates published in the 2010 budget statement. It summarises the information in relation to annual percentage increases for the four sub-programmes. The table shows the increases in the nominal amounts i.e. the amounts as published, as well as in the real amounts, i.e. after correcting for inflation. National Treasury advised provincial treasuries to advise departments to assume that inflation would run at 6,4%, 5,9% and 5,7% when drawing up MTEF estimates for 2010/11, 2011/12 and 2012/13 respectively. These inflation rates have therefore been used in adjusting for inflation i.e. in converting "nominal" into "real" amounts.

Table 3. Nominal and real annual increases in budgets

		2010/11	2011/12	2012/13
Child care & protection	Nominal	4%	3%	6%
	Real	**-3%**	**-3%**	**0%**
Care & support to families	Nominal	-6%	6%	1%
	Real	**-12%**	**0%**	**-4%**
HIV & AIDS	Nominal	-62%	6%	6%
	Real	**-64%**	**0%**	**0%**
Crime prevention & support	Nominal	0%	5%	6%
	Real	**-6%**	**-1%**	**0%**
Professional & admin support	Nominal	48%	21%	9%
	Real	**39%**	**14%**	**3%**

Even for the nominal amounts, care & support to families and HIV & AIDS show a decrease for 2010/11. For all sub-programmes, there are increases in nominal terms for 2011/12 and 2012/13. However, after adjusting for inflation, child care & protection – which is the largest and most important sub-programme for our purposes – shows a decrease of -3% for both 2010/11 and 2011/12, and then a constant budget for 2012/13. If the 2010/11 estimate had been compared with the original main allocation for 2009/10 rather than the adjusted allocation, the decrease would have been -4% rather than -3%. This pattern contradicts the MEC's statement in the foreword to the Strategic Plan that: "Over the next five years, we will continue our strategic interventions in areas around the strengthening of families as well as child care and protection...."

In real terms, after adjusting for inflation, all four sub-programmes show a decrease for 2010/11, with a sharper decrease for the sub-programmes other than child care &

protection. For HIV & AIDS the decrease is by a massive -64%. In 2011/12 two of the sub-programmes will be hit by real decreases while the other two will have constant budgets. For 2012/13 one sub-programme has a real decrease while the remaining three have constant budgets in real terms. Over the MTEF period as a whole, the province records an average annual decrease of -25% in nominal terms for the HIV & AIDS sub-programme. These patterns are extremely worrying for a period when provinces are meant to be phasing in Children's Act services.

The table also shows the changes in budget for the *professional & administrative support* sub-programme. This sub-programme funds the departmental staff who manage and support the social welfare programme as a whole. In addition, unlike most other provinces, this programme also provides for the salaries of staff who deliver services, such as social workers and social workers. (National Treasury has reportedly asked Western Cape to restructure its budget so that in future the relevant staff and related expenses fall within the sub-programme in which they work.) In sharp contrast to the picture for the clear-cut delivery sub-programmes, the professional & administrative support sub-programme benefits from a substantial increase in budget of 48% in nominal and 39% in real terms in 2010/11, followed by smaller – but still substantial – increases in the following two years. If the 2010/11 increase was calculated against the original main allocation for 2009/10, the increase would be 60% rather than 39%, even after controlling for inflation. The narrative in the budget vote explains the overall increase in the social welfare programme budget allocation as being due, in part, to the Department's "modernised structure". It does not explain what this means, and why a modernised structure should be so much more expensive than the previous structure. The overall message is that the Department has strongly reprioritised in favour of its own internal functioning and staff.

Despite its rapid expansion, the official documents provide much less information on the professional & administrative support sub-programme than on the clear-cut service delivery sub-programmes. For example, in both the Strategic Plan and Annual Performance Plan there is separate discussion of and tables for the other sub-programmes, but not for professional & administrative support sub-programme. The documents state little more than the fact that the sub-programme is responsible for "overall direct management and support to the programme."

Informants and other documents provided more information on the "modernisation" strategy. The DSD representative explained that this was part of a general provincial thrust to become a "world-class" province "underpinned by sound technology". In the case of DSD, modernisation is taking the form of a restructuring that will see the abolition of the current 16 districts and the establishment of six regional centres which will together be responsible for 45 sites. Each of these sites will be provided with both office and service delivery staff as well as infrastructure and equipment. The MEC's budget speech reports that the department plans to increase the number of frontline service delivery practitioners employed from 692 to 1 538 over the three-year MTEF period. For the first year alone, this expansion will cost R50m. Intriguingly, modernisation for Western Cape DSD thus means an expansion of government's role.

Transfers to non-profit organisations

A large proportion of social welfare services are provided by non-profit organisations (NPOs, including both non-governmental organisations and community-based organisations) rather than by the department itself. In some cases, the department subsidises the NPOs concerned, although these subsidies generally do not cover the full cost or scope of the services. The relevant transfers are shown in Table 4. The table shows NPO transfers falling steadily as a percentage of the total programme budget from a peak of 68,8% in 2008/09. By 2012/13, NPO transfers are expected to constitute only 57,9% of the total social welfare services programme budget. The fall in the percentage is particularly sharp between 2009/10 and 2010/11, at nearly six percentage points. While four other provinces also show decreases in the share of the budget going to NPOs, Western Cape's decrease is larger than for the others.

Table 4. Estimates for transfers to NPOs within social welfare services programme, 2006/07-2011/12 (R1 000s)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total social welfare services	655068	850795	920980	991644	1083103	1136086
Transfers to NPOs	445093	585351	622346	611515	629275	657366
Transfer as % total	67.9%	68.8%	67.6%	61.7%	58.1%	57.9%

Despite the decrease, for 2010/11 the percentage of the social welfare budget allocated to NPOs is still higher in Western Cape than in any other province. However, by 2012/13, Gauteng, Free State and Mpumalanga are set to overtake Western Cape in the share of the budget allocated to NPOs.

Table 5 is similar to Table 3 above i.e. it shows the difference in estimates for a particular year recorded in the 2009 budget statement and the budget statement of 2010. For both 2010/11 and 2011/12 the 2010 budget statement records substantially smaller estimates than the budget books of a year earlier. This shows that previous plans to increase the share of the budget going to NPOs are not going ahead to the extent envisaged last year. Again, this is in stark contradiction to the imperative to phase in expansion of Children's Act services, which are delivered mainly by NPOs.

Table 5. Western Cape estimates for NPO transfers, 2009/10-2012/13 (R1 000s)

	2009/10	2010/11	2011/12	2012/13
2009/10 budget document	626 083	693 263	777 456	
2010/11 budget document	622 346	611 515	629 275	657 366
% increase from 2009/10-2010/11 books	-1%	-12%	-19%	

Table 6 is similar to Table 4, i.e. it shows the annual increases in both nominal and real terms. For 2010/11 there is a decrease even in nominal terms. After adjusting for inflation, all years show real decreases in the value of the transfers to NPOs.

Table 6. Nominal and real annual increases in transfers to NPOs

	2010/11	2011/12	2012/13
Nominal	-2%	3%	4%
Real	-8%	-3%	-1%

Western Cape provides the breakdown of transfers to NPOs by sub-programme. For three of the four sub-programmes (child care and protection, family care and support, and HIV and AIDS) on which we focus in this paper the NPO transfer makes up the full budget for the sub-programme. As explained above, this is because any relevant government staff – as well, presumably, as expenses related to their functioning – are covered by the professional and administrative sub-programme. The two places of safety run by government are also funded by the professional and administrative sub-programme.

The exception is crime prevention and support, where transfers to institutions make up the bulk of the budget, with NPO transfers and professional support services having smaller shares. For example, for 2010/11 R85,3m is allocated for transfers to institutions, R25,9m for professional support services, and only R5,1m for NPO transfers. The transfers to institutions for this sub-programme again relate to delivery by non-government actors, but in this case private for-profit operators such as Bosasa Security, which manages some secure care facilities and prisons.

Crime prevention and support is the only sub-programme for which NPOs are named as collaborating institutions in the Annual Performance Plan. This sub-programme states that the NGO sector will collaborate by providing diversion and reintegration programmes. The other three sub-programmes make no mention of NPOs in their table listing collaborating institutions depite all the funding in these three sub-programmes being allocated as transfers to NPOs. However, in discussing HIV and AIDS, the Annual Performance Plan does refer to NPOs when listing risks and mitigating strategies. It names as a risk the "substantial reduction in transfer budget" and offers as the mitigating strategy a reduction in the number of NGOs funded and enhanced focus on psychosocial support to families. The Plan does not discuss how this shift in the nature of services might affect impact, nor how those who would have accessed other services from NPOs are expected to cope without these services.

Because the NPO transfers account for the full allocation for three sub-programmes, the changes in NPO transfers for these sub-programmes can be found in Table 3 above. As discussed above, all three of these sub-programmes show decreases in the 2010/11 budgets after controlling for inflation. For crime prevention and support, NPO transfers decrease by -33% when comparing 2010/11 and 2009/10, and then by a further -4% and -3% in the subsequent two years of the MTEF.

The budget vote document states that the province has "upgraded" salaries of social workers who are employed by NPOs as well as those employed by government. As discussed below, NPO informants were puzzled by this statement as they had not seen increases in allocations that reflected such upgrading. The Strategic Plan is more cautious than the budget vote in its claims in respect of progress to date on this issue. In the Plan the phrasing suggests that the "upgrading" in respect of NPO staff is something that is planned rather than has happened already. It notes that: "The department has upgraded salaries of social workers, and is introducing a funding model that will enable NPOs to pass on this benefit to social workers in their employment." The lack of clarity is of concern as the social worker post funding forms a critical part of the budgets of the NPOs concerned.

More generally, the Western Cape's budget vote refers to a process of developing a national policy on social services, which it reports as being underway. The issues covered by this policy reportedly include the creation of a funding model for delivery of services by NPOs. This issue has now been "underway" for more than a decade. For example, the Financing Policy for Developmental Social Welfare Services was published in 1999. The policy was to some extent implemented, but with mixed messages given to NPOs at different points and by different provinces. In the absence of a workable policy, NPOs continue to battle to provide services in a situation of chronic under-funding and uncertainty.

Under-funding is even more of a problem in 2010/11 than previously. On 22 January 2010 the Department sent a letter to all "child protection" organisations as well as all child and youth care centres entitled "Reduction/termination in transfer funding to non-governmental organisations". The letter notes that the Department had put out a call for proposals for funding but that subsequent to this call being issued "there have been more changes in the Province, not least of which was that the provincial budget has been substantially cut." As a result, the Treasury had the "unenviable task" of cutting the budgets of most departments. The letter notes that the previous day the Department had been informed that their budget would be cut by R100m for the 2010/11 financial year, and that this would mean that there would need to be cuts in the trafer budget to NPOs. The letter notes that the Department might thus not be able to consider new/first-time funding applications or extensions to existing services except "under very specific circumstances". Further, in some cases it might have to reduce or terminate funding. As might be expected, this letter created huge consternation among NPOs.

A week later, on 29 January 2010, the Department sent a further letter to all "child protection" organisations that the call for proposals issued in October 2009 was intended to assist the Department in funding mandatory services, funding services that were a priority for the Department, funding services that would address the Department's objectives, to ensure services were procured "in the most efficient manner", and to fund within the available allocation. The letter notes that while the Department has not finalised applications (presumably allocations), but makes the same point as the previous letter about not being able to fund new services or extensions, and the possibility that existing funding may be terminated or reduced. The letter states that: "The modernization of how the Department conduct its business will ensure that those placed at risk are dealt with in the most efficient and effective manner and therefore reliance is placed on the sector to support the approach." It does not explain further what is meant by modernisation.

The situation of NPOs is discussed in more detail in a later section of this paper. At this point we note only that the 2010/11 allocation for the Department as a whole was R1 219,3m. This is less than the R1 268,4 forecast for 2010/11 in the previous year's budget book, but only R49m less rather than the R100m referred to in letter of 22 January sent by the Department to NPOs. The 2010/11 allocation for the Department is also 4,8% higher than the R1162,5m allocated for 2009/10. The reductions in NPO funding nevertheless went ahead while funding for internal operations of the social welfare programme increased.

Allocations for government personnel

Salaries for government employees are budgeted for under the title "Compensation of employees". Table 7 shows the allocations for this item within the **social welfare** programme for the period 2009/10 through 2012/13 in nominal and real terms, as well as the relevant percentage increases. For each of the three MTEF years there is a substantial increase in nominal terms. In real terms the increase is substantial for the first two MTEF years (19% and 9% respectively), and smaller for the last year (3%). The fact that the increases are larger in the first years means that the later, relatively smaller, increases will happen off a higher base. As in other tables, the 2010/11 increases are calculated against the 2009/10 adjusted budget. If the increase is calculated against the original main allocation for 2009/10, the increase for 2010/11 after adjusting for inflation is 38% rather than 19%. Again, these figures suggest strong reprioritisation in favour of the Department and its staff, at the expense of those who deliver most services (the NPOs) and those who should benefit from them (vulnerable people, and particularly children, in the community).

Table 7. Allocations for compensation of employees

	2009/10	2010/11	2011/12	2012/13
Nominal	215 662	274 111	316 971	345 038
Nominal increases		27%	16%	9%
Real	215 662	257 623	281 308	289 704
Real increases		19%	9%	3%

Table 8 shows the actual and planned number of staff in the social welfare services programme over the period 2007 to 2013. Unfortunately, these numbers are not provided per sub-programme, and the documents also do not distinguish between service delivery staff (such as social workers, social auxiliary workers and community development workers) and administrative and support staff. Overall, the table confirms a planned steady increase in staff numbers over the MTEF period. Comparison of these increases in persons with those in the budget shown above suggests that average salaries will increase in real terms in 2011, but fall over the following two years. A fall in real value of remuneration for government staff seems unlikely, and it could be that the trend reflects an increase in the proportion of lower-paid staff, such as the social auxiliary workers that are planned for each of the new decentralised offices. If this is not the explanation, the two sets of figures – budget and staff numbers – seem to contradict each other.

Table 8. Staff numbers as at end March, 2007-2013

2007	2008	2009	2010	2011	2012	2013
558	1 196	1 098	1 183	1 348	1 490	1 600
	114%	-8%	8%	14%	11%	7%

Some more detail on staff numbers is provided in the Strategic Plan. Unfortunately, this detail is not provided for the professional and admininstrative support sub-programme, which probably has the largest growth in staff planned. It is provided only in respect of the service delivery sub-programmes for which the budget vote usually suggests that the full allocation is for NPOs.

Crime prevention & support services, the single sub-programme for which only part of the allocation is shown as being allocated to NPOs, indicates a planned increased in the number of probation officers at district level from 72 to 82, and an increase in assistant probation offices from 36 to 42 over the five-year period. For child care & protection the staff complement remains constant at five in head office and none in the districts. For HIV and AIDS it remains constant at four staff in head office and one in each of the 16 districts. For care and support to families, the staff complement remains constant at 1,5 person in head office and eight across the district offices.

Performance indicators

All sub-programmes are required to report against performance (service delivey) indicators. Departments are not required to publish performance indicators in the main budget statement. Some provinces do this, and we believe this assists with transparency. Western Cape does not.

This is disappointing as this is an area in which Western Cape used to be a leader. In 2008/09, for example, Western Cape was the only province to include the full list of nationally agreed indicators, as well as additional provincial indicators, in its budget document. In 2009/10 it again published the full list, as did some other provinces. In 2010/11, there are no programme-specific indicators in the budget vote. The Department has, however, as required, published service delivery indicators in its annual performance plan. We report on these below.

The Department also provides a single indicator for each sub-programme in its Strategic Plan. These indicators are very generally specified and are not particularly useful in combining a range of very different services in a single indicator. It is also not clear how such an indicator would deal with a case in which a single individual accessed more than one type of service in respect of a particular sub-programme. Would this person be counted once or multiple times? This vagueness about the type of services when specifying past or planned delivery is repeated in the service delivery information contained in the narrative to the Western Cape's budget book.

The general indicators for the three sub-programmes are:

- **Child care & protection:** Number of children and families in the Province who access care and protection services
- **Care & support services to families:** The number of families accessing developmental social welfare services that strengthens families and communities and build social cohesion income, assets and capabilities
- **HIV & AIDS**: Number of people with HIV/AIDS concerns accessing social development services in the Province
- **Crime prevention:** Number of children and youth in conflict with the law serviced per year.

In terms of the more detailed nationally agreed indicators drawn up by the national DSD, for 2009 the list specified 49 indicators for child care and protection, eight for care and support to families, 18 for HIV and Aids, and 19 for crime prevention and support. For 2010 a new, and completely different, national list has been drawn up which specifies 9 indicators for child care and protection, 3 for care and support to families, 7 for HIV and Aids, and 3 for crime prevention and support. Only 2 of the new national indicators exactly match the indicators in the 2009 national list, with a further 4 being similar to, but not the same as, the 2009 nationally agreed indicators. An additional weakness is that several of the new indicators relate to "rand value of funds transferred" to NPOs delivering particular services. Such money amounts are not in strict terms indicators of service delivery.

Table 9 gives the standard (national) indicators for child care and protection services and the values shown in Western Cape's annual performance plan. The plan includes eight of the nine nationally agreed indicators. The missing indicator is one relating to funding of NPOs, namely the value of funds transferred to registered shelters managed by NPOs. Without this information, it is difficult to judge the feasibility of the projected increase in the number of children in such shelters. The number of children in registered and funded partial care sites is set to increase steadily over the MTEF period. The number of childen placed in foster care is also set to increase. For these increases to happen, the NPOs that manage the partial care sites, shelters, and foster care placements will need to be adequately funded. Overall, the fact that all the delivery indicators increase in a situation where NPOs are responsible for the overwhelming bulk of delivery, suggests a mismatch betewen the budgets presented earlier and what the Department expects can be delivered.

Table 9. Standard national indicators for child care and protection services

	2009/10	2010/11	2011/12	2012/13
No of children abused	-	7 000	6 500	6 000
No of children in registered and funded partial care sites	67 232	70 232	73 232	76 232
No of registered partial care sites operational	939	1 089	1 239	1 389
No of children participating in ECD programmes	80 000	85 000	90 000	95 000
No of children in registered and funded shelters managed by NPOs		191	211	231
Rand value of funds transferred to registered shelters managed by NPOs		??	??	??
No of registered and funded drop in centres managed by NPOs		15	16	17
No of children newly placed in foster care		1 536	1 636	1 736
No of national adoptions		80	80	80

There are an additional 13 province-specific indicators for this sub-programme, as shown in Table 10. The number of children in registered children's homes managed by NPOs is set to increase only marginally, by 10 children per year, reaching 2 138 in 2012/13. However, the number of children re-unified with their families or communities is set to increase even more slowly, at 18 over the two years combined, and stands at only 404 in 2012/13. The number of children accessing registered drop in centres managed by NPOs is also set to increase by only 10 per year, reaching only 579 in 2012/13. The number of children in temporary safe care facilities run by government is not expected to change at all. It remains constant at 130.

Table 10. Province-specific indicators for child care and protection services

	2009/10	2010/11	2011/12	2012/13
No of registered clauster foster care schemes	-	4	6	8
No of children re-unified with their families or communities of origin	-	386	396	404
No of children in registered children's homes managed by NPOs	-	2 118	2 128	2 138
No of children in CYCC (temporary safe care facilities) run by government	-	130	130	130
No of children acccessing registered drop in centres managed by NPOs	-	559	569	579
No of reported cases of child exploitation	-	60	120	180
No of reported cases of orphaned children	-	100	200	300
No of children placed in foster care by government	-	340	680	1 020
No of children placed in foster care by registered and funded NPOs	-	1 424	2 848	4 272
No of early intervention programmes	-	160	180	200
No of people reached through early intervention programmes	-	24 000	26 000	28 000
No of ECD centres funded by government	-	1 089	1 239	1 389
No of people reached through public awareness and prevention programmes	-	55 000	55 500	60 000

It seems that government hopes that the lack of increase in these numbers will be matched by large increases in children placed in foster care. Here the number increases from 340 in 2010/11 to 1 020 in 2012/13 in respect of children placed by government and from 1424 in 2010/11 to 4 272 in 2012/13 for children placed by registered and funded NPOs. If this is to happen, one would have expected a substantial increase in the funding going to NPOs over the period. What is also confusing is that the sum of the province-specific targets in respect of foster care placements by government and NPOs do not match the Western Cape's target on the national indicator for foster care placements. This disparity might reflect the fact that the national indicator relates to new placements, while the province-specific indicator might reflect a cumulative total of children in foster care rather than only new placements. Even if this is the case, the need for increased funding for NPOs would remain as the Children's Act requires ongoing monitoring of foster care placements by social workers, as well as a two-yearly court renewal process in respect of most placements.

Table 11. Standard national indicators for care and support services to families

	2009/10	2010/11	2011/12	2012/13
No of government funded NPOs providing services on care and support to families	58	56	60	60
No of families participating in family preservation services	2 240	2 560	3 200	3 200
No of families at risk receiving crisis intervention services	2 880	3 200	3 840	5 120

Table 9 shows the nationally agreed indicators for the care and support to families sub-programme. All three nationally agreed indicators are included in the Annual

Performance Plan. For the first indicator – number of NPOs funded to provide services – there is a decrease from 58 to 56 between 2009/10 and 2010/11. For the last indicator, families receiving crisis intervention services, there is a massive increase between 2011/12. What is interesting is that this increase happens while the second indicator, relating to families participating in family preservation services, stays constant between the two years. This suggests that the Department sees crisis intervention as a preferable option to family preservation.

There are six province-specific indications for the sub-programme, as shown in Table 12. Some of these indicators – the number of awareness-creating programmes, the number of people reached through these programmes, the number of participants in fatherhood workshops and programmes, and the number of parents reached through positive parenting workshops – show sharp increases over this period. Such increases will only be possible if there are substantial increases in allocated funds to the NPOs who provide these services.

Table 12. Province-specific indicators for care and support services to families

	2009/10	2010/11	2011/12	2012/13
No of programmes that create awareness of services to families	1	4	7	12
Number of people reached through family awareness programmes	3 000	7 000	14 000	21 000
Number of participants in fatherhood workshops and programmes reached [sic]	-	480	900	1 200
Number of districts where integrated programmes for vulnerable families are implemented	2	4	8	16
Number of service providers trained in family preservation	-	60	60	60
Number of parents reached through Positive Parenting workshops	400	960	1 440	1 920

Table 13 shows that for HIV and AIDS, the Department includes all seven nationally agreed indicators, but for three of the seven the table records "n/a". This presumably indicates "not applicable" as a dash is used elsewhere for "not available". There is no real increase predicted in the number of NPOs funded to deliver HIV and AIDS prevention programmes on social behaviour change as the funding increases by slightly more than expected inflation each year.

Table 13. Standard national indicators for HIV and Aids

	2009/10	2010/11	2011/12	2012/13
No of funded NPOs delivering HIV and Aids prevention programmes on social behaviour change		44	44	44
Rand value of funds transferred to NPOs delivering HIV and Aids prevention programmes (R'000)		9 116	10 000	11 000
No of funded NPOs trained on social behaviour change programmes		n/a	n/a	n/a
No of OVCs receiving services		1 400	1 500	1 600
No of districts implementing the HCBC M&E system		n/a	n/a	n/a
No of HCBC organisations trained on management training for HCBC		2	3	4
No of community care givers trained on skills development programmes		n/a	n/a	n/a

There are five province-specific indicators for this sub-programme, as shown in Table 14. None of them are child-specific, but those relating to loss, grief and bereavement may be helpful to children if they are provided to OVC and their families. It is not clear what the difference is between the two indicators in relation to facilitators on loss, grief and bereavement, especially as the targets for the two indicators are identical.

Table 14. Province-specific indicators for HIV and Aids

	2009/10	2010/11	2011/12	2012/13
No of behaviour modication programmes aimed at positive lifestyles	-	44	46	48
No of beneficiaries benefiting from behaviour modification programmes	-	25 000	30 000	35 000
No of facilitators trained on services such as loss, grief and bereavement	-	100	110	115
No of facilitators benefiting from loss, grief and bereavement training	-	100	110	115
No of beneficiaries benefiting from therapeutic services	-	3 000	3 200	3 400

Table 15 presents the standard indicators for crime prevention and support. It is not clear how the number of accredited NPOs implementing diversion programmes can increase five times between 2010/11 and 2011/12 if there is no increase in the rand value of NPO transfers between these two years even before adjusting for inflation.

Table 15. Standard national indicators for crime prevention and support

	2009/10	2010/11	2011/12	2012/13
Rand value of funds transferred to NPOs delivering diversion programmes (R'000)	7 068	5 066	5 066	8 000
No of children benefiting from crime prevention programmes	40 000	40 000	50 000	60 000
No of accredited NPOs implementing diversion programmes	n/a	2	10	15

For this sub-programme there are three province-specific performance indicators, all of which relate to diversion of adults. This is somewhat surprising as the strategic objective provided for the sub-programme seems to place the emphasis on children, being framed as: "To provide psycho-social and statutory services to all children and families in conflict with the law by 2015", the "baseline" similarly focuses on "children and families", and the "justificaiton" for the sub-programme focuses on the Child Justice Act, Children's Act and Probation Services Act. Of the four elements summarising the sub-programme, only the "objective statement" explicitly refers to adults in stating that the sub-programme aims to providing services to "40 000 children and adults in conflict with the law as well as their families by March 2015."

Table 16. Province-specific indicators for crime prevention and support

	2009/10	2010/11	2011/12	2012/13
No of adults assessed in community courts	120	120	150	200
No of adults diverted	30	50	100	150
No of adults who completed diversions	10	10	3	2

Comparing what has been allocated to what is actually needed

The costing of the Children's Bill commissioned by government from Cornerstone Economic Research[7] provides the basis for comparison of what is needed with what has been allocated. There are some limitations in this comparison. Firstly, the bill used as the basis for the costing underwent some changes before being passed by Parliament. We have not been able to adjust for these changes, but they should not make a significant difference to the overall costs.

Secondly, the costing assumed that the 2005/06 budget year would be the first year of implementation. In last year's analysis we took 2009/10 as the first year of implementation because 44 sections of the Act were put into effect in July 2007 and implementation should therefore have already started in 2009. This year we thus compare allocations with the costing estimates for the second year of implementation. One challenge with the shift in years is that there was fairly substantial inflation over the three years 2005/06 to 2009/10. To accommodate this, we again – as we did in the last two years – adjusted the Cornerstone estimates using the consumer price index of 151.0 (for January 2008) and the index of 125.4 of three years earlier (January 2005).

A third caveat is that, as discussed above, it is not possible to determine exactly which allocations relate to services to children covered in the Children's Act. For the purposes of the comparison, we take the full allocations for child care and protection, HIV and AIDS and care & support services to families. This over-estimates the amount allocated for implementation of the Children's Act as some of the expenditure for HIV and AIDS and care & support to families are not related to the Act. This over-estimate is counter-balanced by some allocations in other sub-programmes that will help with

[7] Barberton C (2006) *The cost of the Children's Bill: Estimate of the cost to government of the services envisaged by the comprehensive Children's Bill for the period 2005 to 2010*. Pretoria: Cornerstone Economic Research.

implementation of the Children's Act. For example, as noted above, some of the allocation for crime prevention and support and professional support and administration should be used for activites related to the Children's Act.

The costing team considered four different scenarios, namely:

- Implementation Plan (IP) low scenario
- Implementation Plan(IP) high scenario
- Full Cost (FC) low scenario
- Full Cost (FC) high scenario

The IP and FC scenarios use different estimates of demand. For the IP scenarios, the costing team asked each department to describe current levels of delivery for each service and how they planned to increase delivery in line with the Bill. Thus these levels do not measure total demand or actual need. Instead, they mainly measure current (very inadequate) service delivery. For the FC scenarios, the costing team used other evidence to estimate how many children actually need services. These scenarios are a more realistic and objective estimate of the levels of need.

The high and low scenarios reflect different levels of quality of service delivery. The high scenario costs 'good practice' standards for all services, while the low scenario uses 'good practice' standards for services classified by the costing team as important, but lower standards for services classified by the costing team as non-priority.

To simplify matters, for the purpose of this comparison we consider only the highest and lowest estimates, namely the IP low and FC high. We look only at the estimates for Years 1-4, which we take as the basis for comparison with 2009/10 and the three MTEF years of the 2010/11 budget. Ideally, government should have started implementing and making related allocations in 2008/09 after the 2005 Act was partially put into effect in July 2007. However, the Amendment Act covers the services for which provinces are responsible, and this Act only commenced officially on the first day of the 2010/11 financial year. We follow the approach used in our analysis of last year and use 2009/10 as year 1 as the expectation at the time that budget was drawn up was that the Amendment Act would become effective during the financial year. The 2009/10 budget should thus have made provision for full implementation. This approach is conservative in that the costing report shows that many of the services prescribed in the Children's Act (as amended) were already required in terms of the Child Care Act of 1983 and should, therefore, have been adequately funded even before the Amendment Act came into full effect.

Table 17 shows the estimated costs for years 1-4 for Western Cape Social Development, including both the original estimates and the estimates adjusted for inflation. As can be seen, the inflation adjustment makes a fairly substantial difference. For year 1, for example, the IP low original estimate was R692 million while the adjusted estimate is R833 million.

Table 17. Costing estimates for Western Cape Social Development (Rm)

	Original estimate				Adjusted for inflation			
	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4
IP low	691.7	773.9	863.0	965.1	832.9	931.9	1 039.2	1 162.1
FC high	2 495.9	2 827	3 211.9	3 603	3 005.4	3 404.1	3 867.6	4 338.5

Table 18 shows the sum of the allocations in the 2010/11 budget documents that might facilitate implementation of the Children's Act. The table includes the sum of the adjusted estimates for 2009/10. For 2010/11, the sum of the allocations for the three sub-programmes is R388,8 million, rising to R421,3 million in 2012/13. The final rows of the table show that this total amount represents only 42% of the IP low costing estimate in 2010/11, and this then decreases to 38% and then 36% respectively for years 2 and 3 of the MTEF. The 2010/11 total represents only 11% of the FC high estimate for 2010/11 and only 10% for 2011/12 and 2012/13. For both the IP low and the FC high the percentage for 2010/11 already represents an even larger decrease compared to 2009/10 than the decreases in any of the single years followin.

The allocations are therefore clearly seriously inadequate given that the costing suggested that for the country as a whole the first year of the IP low scenario met only about 30% of the total demand for services provided for in the Bill when using the most reliable estimates available of objective need. The decrease in the percentage covered will increase the gap between the high levels of need and the low levels of service delivery.

Table 18. Combined Children's Act-related allocations (R1 000s)

	2009/10	2010/11	2011/12	2012/13
Child care & protection	334 075	345 931	354 637	374 944
Care & support to families	36 037	33 795	35 730	36 117
HIV and Aids	23 903	9 116	9 647	10 199
Total	394 015	388 842	400 014	421 260
As % of IP low	47	42	38	36
As % of FC high	13	11	10	10

What the 2010/11 budget means for NPOs and service delivery

Forms of funding

Government funding of NPOs happens through a range of different mechanisms.

Funding of posts is probably one of the most long-standing mechanisms. Previously post funding focused on social workers. It now extends to other posts such as social auxiliary workers and community development workers. Further, there is a distinction among social worker posts between ordinary posts on the one hand, and chief, supervisor or manager posts on the other. However, this type of funding is not provided to all organisations which employ the specified types of staff. For example, while child and youth care centres are expected to employ social workers and child and youth care workers, they do not receive post funding in respect of these workers.

Some welfare organisations have received funding for social worker posts since before 1994. This funding was intended to allow them, among others, to perform statutory duties such as channelling children and caregivers through the foster care process. The funding was always calculated as a percentage of the full social worker salary, with further subsidies for administrative posts to support the social workers.

The fact that NPOs did not receive the full equivalent of what a social worker earned in government always placed NPOs at a disadvantage as their workers were often "poached" by government, after having gained on-the-job experience and skills working for the NPO. This problem was exacerbated when the occupation-specific dispensation (OSD) for social workers was agreed in 2008 and resulted in substantial increases in salaries of government-employed staff.

In August 2009 social worker and related workers participated in a large-scale national march led by the National Welfare Forum to protest against the unequal pay. In the Western Cape NPOs met with the MEC of Social Development in February 2010 to discuss the memorandum that was handed in during the march. The MEC undertook to take the matter up in MINMEC, the forum that brings together all provincial DSDs with the national Minister. He motivated this on the grounds that all provinces needed to have the same policy in respect of funding of posts.

When Western Cape NPOs were informed of their post funding for 2010/11 during June, they found that the subsidies for the posts, all of which are funded based on entry-level pay, had increased substantially from those for last year – for example, by 18,0% for social workers, 15,7% for chief social workers, and 29,2% for social auxiliary workers. However, the new amounts were still less than the OSD amounts for government salaries agreed on in 2008, without taking into consideration increases for government-employed workers since that time. The Head of Department announced that the Western Cape had reached parity between government and NPO social worker salaries, despite the fact that there had not been an increase in overall funding for NPOs and some had received substantial cuts to their funding. In reality the new NPO subsidies are equivalent to government salaries minus all the "trimmings", such as medical aid and pension. Because the "trimmings" for government workers are substantial, there is thus still a big gap between what social workers earn when employed by government and the subsidy paid to NPOs. One NPO representative said that they were told that this gap was an explicit policy of government, to avoid competition for social workers – thus leaving the NPOs with the "leftovers" and those who chose to work in an NPO despite the lower remuneration. Adding to the gap is the fact that all post funding is at entry level, denying NPO employees workers the regular increments that government-employed workers receive for length of service.

Western Cape also introduced a further change for 2010/11 in that it abolished the subsidy for administrative clerks. In its place, it added 20% of the post funding amount to cover administrative and related costs. For at least one NPO the result of these changes, combined with cutting of posts, resulted in a smaller amount of subsidy for 2010/11 than 2009/10 with no reduction in the amount of work they were expected to do. Other NPOs received increased post funding, but accompanied by a substantially increased workload. In at least one case where the NPO was being asked to take over work in an area that was previously done by government-employed workers, the NPO was allocated subsidies for fewer social workers than government had previously employed in the area. In such cases government "saves" both in terms of the lower cost for each worker and in terms of the increased workload per worker. Meanwhile an NPO reported that the amount of work involved in particular tasks had been increased with the introduction of the Children's Act. In particular, an interviewee reported that "Justice is talking a different language" and court processes related to children now involve more "legalese" and require more intensive investigative and related work than previously.

There are at least two types of **per child subsidy**. The first is the per child per day subsidy provided for ECD centres. On instruction of national DSD, Western Cape increased the amount from R9 to R12 per day in 2009/10 and is now in line with the national norm. A bid by national DSD to National Treasury to have the amount increased to R15 for 2010/11 failed. The fact that the bid came from national DSD suggests that there might now be an expectation – after several years of additional funds being added to the equitable share for ECD – that National Treasury will continue to subsidise provinces for these services.

The ECD centre subsidy is meant to be paid on the basis of actual attendance rather than simply enrolment of a child. The Western Cape has, however, been basing payments on enrolment, in part because monitoring systems are not good enough to track attendance. This approach should be the preferred one even if monitoring is improved as centres need to plan and budget on the basis of children who might attend. The centres should not be penalised if, for example, there are high rates of absenteeism as a result of problems in families, transport, epidemics, etc.

The second form of per child subsidy is the funding paid to child and youth care centres (CYCCs). The manager of a children's home reported that there had been several increases in the monthly amount per child over recent times. Thus between October 2008 and October 2009 the amount increased from R1 500 to R1 800. However, the increases do not occur on a regular or explained basis and the current amount is still far from sufficient. The insufficiency is exacerbated when centres are expected to cover the costs of a range of outreach and other services in addition to residential care. Besides providing for the child's food, accommodation, water, electricity, and therapeutic programmes, the child and youth care centre per child subsidy is also expected to cover the costs of social workers, child and youth care workers and other employees of the centres as the centres do not receive post subsidies.

Evidence submitted by government in a recent court challenge of DSD by Free State NPOs shows clearly that government itself recognises the inadequacy of these subsidies. The evidence included documents relating to a bid by national DSD to National Treasury that organisations providing statutory services (which would include CYCCs) receive a 100% subsidy. However, the Free State government also argued that NPO-run CYCCs could survive on much less than government-run because, among others:

- The spouse (i.e. wife) of the employed manager could do the cooking and cleaning unpaid
- The children could do the gardening rather than employing gardeners as government-run centres do
- There was no need for four shifts of workers in NPO-run homes, presumably because the manager and spouse could be on call 24 hours a day
- NPOs could rely on the work of volunteers while government-run institutions needed to pay full salaries and benefits to all workers.

One hopes that Western Cape DSD is not basing the inadequate allocations on similar reasoning.

Programme funding is a further form of funding. We use the term here to refer to general funding of activities that is not based on a subsidy for staff or subsidy of children. However, all interviewees who spoke about programme funding noted that the concept was unclear, including for government staff. The idea behind programme funding is that the Department funds a group of activities (or "programme") for which an NPO has submitted a service plan. The service plan (which serves as the proposal or application for funding) would include a budget that provided for staff as well as other costs.

Most organisations interviewed had experience of programme funding, including the CYCC managers who were interviewed. Several said that they had been approached by DSD to submit proposals for innovative work that would constitute a pilot, often in areas defined as priority or "nodal". Where this happened, it seemed that DSD usually covered the full costs of the pilot. However, the general pattern seems to be that the pilot would be fully funded for about two years, and then funding would stop. Interviewees reported submitting a proposal for further years of funding of the activity, possibly expanded to other areas, and not receiving feedback from DSD despite reminders. The NPO would be left in a position where it would either have to stop the activity or find funding elsewhere even in the area where it originally piloted.

These experiences call into question the idea of a pilot, which is meant to lead to replication if the pilot works well. In all cases referred to, the NPO reported that DSD had expressed satisfaction with the how the pilot had worked.

At national level DSD is reportedly currently revising the policy on financial awards, and Western Cape is engaged in a parallel process that will be closely aligned with the national policy. One special planned aspect of the Western Cape policy will be clear specification of the process of applying for, awarding, paying, and monitoring funding. Until these new policies are made available, and judged in their implementation, NPOs are likely to remain sceptical as the current policy on financial awards, which was introduced with much fanfare, has not delivered what was promised.

A new form of funding that seems to be developing in the Western Cape was referred to by several interviewees as involving **outsourcing**, although it could also be seen as a form out programme funding. This development is interesting – and seems contradictory – at a time when the Department is growing its internal complement of staff.

The development is occuring in the ECD sector. In 2009/10 ten of the larger NPOs were contracted by DSD to provide assistance to district offices – one office per NPO – in assisting centres to become compliant and in developing district plans for ECD. The NPOs expected that this would be followed through by funding for programmes that took forward the plans. They thus duly submitted related service plans. Some of these were accepted by DSD, although generally with substantial cuts in the budget but no cut-back in the expected outputs. In at least one case the proposal was not accepted. In this case the NPO was told that the activities covered were not priorities and the NPO should resubmit for other activities.

Meanwhile DSD approached some of the larger NPOs to ask them whether they would be interested in managing the ECD centre funding. DSD did this because it feels that it does not have the resources to oversee the more than 900 centres that are funded, including monitoring, reading and responding to quarterly reports, and distributing and monitoring use of subsidies. It thus proposed that NPOs take on this task in a "cluster" model whereby DSD would sign a single transfer payment agreement (TPA) with the larger NPO, which would then be responsible for all the tasks in respect of a larger number of ECD centres. Six established NPOs, in consultation with other smaller organisations, quickly developed a discussion document setting out how this would work. At the time of writing serious discussions were underway about taking this forward. DSD is excited about the model as it will substantially reduce a load of work that they are not currently managing well. One of the reasons why the NPOs are interested is because they see this as a souce of ongoing "bread and butter" funding in a situation where funding is scarce. However, there is also concern about the magnitude of the task that they would be taking on, and the extent to which this will pull them (and their resources) away from "core business".

In addition to the funding forms discussed above, there is **Expanded Public Works Programme (EPWP)** funding. This generally takes the form of stipends for trainees or "volunteer" service delivery staff. None of the interviewees were currently receiving this type of funding, but one reported that it was being considered by DSD in respect of non-centre-based ECD services. One problem with this form of funding is that, inherited from public works, it is based on the notion that workers are required for a limited period – for example, while a clinic is being built. Further, the EPWP itself has a limited lifetime. This form of funding thus does not fit easily with child-related services that will be needed for many years on an ongoing basis.

Service plans and contracts

All forms of funding require that the NPO and DSD enter into a transfer payment agreement (TPA). Interviewees reported a range of problems with these TPAs.

There is a standard format for applications for programme funding. DSD itself acknowledges that the form is over-long and complicated and requests some unnecessary information. It plans to review the form. For ECD centres there is a shorter and simpler form, but this too asks for some unnecessary information. In respect of the longer form, the manager of a small township-based NPO noted that "it is quite a huge document, of fifteen pages, and you must fill in each and every paper. They don't give assistance. You look around for yourself who will help. If you fill it wrong, they won't approve it."

A further area of concern relates to how NPOs are expected to cost their services. One interviewee noted that NPOs generally submitted proposals that reflected the parsimonious cost-cutting way in which they have learnt to operate over the years given DSD's approach of providing a subsidy rather than covering full costs. This resulted in a situation where the NPO subsequently constantly struggled to keep within budget and was forced to spend (unfunded) time and energy trying to raise money from other sources. The interviewee reported that in the most recent year DSD announced that it would cover full costs in nodal, priority areas. However, this announcement was made only after NPOs had submitted their applications for funding. DSD, if it kept to the commitment to do full funding, would thus be providing full funding for what was in effect an under-budgeted approach.

In previous years NPOs have been required to apply for one year of funding, in respect of the coming government financial year. In the latest round of applications, the TPAs stated that NPOs should submit three-year budgets. NPOs were surprised and upset at this as they had not been consulted regarding this change in policy. The extension to three years was seen by government as benefiting both itself and NPOs. For NPOs it was seen as giving certainty that they would receive funding for more than one year although, as noted below, the amounts for future years would not be specified. For government it would reduce the workload as a single approval process would cover three years. NPOs reportedly struggled to complete the three-year proposals. One particular challenge was that they did not know what inflation rate to use for future years. This problem could easily have been solved if DSD had provided NPOs with the standard inflation rates that National Treasury advises provinces to use for the MTEF period. A more serious problem with the three-year approach is that DSD is not able to allocate beyond the current financial year. It can, at the most, undertake to provide funding for three years, but in unspecified amounts. Thus while some NPOs have now received three-year agreements, these do not specify the amounts to be received in 2011/12 and 2012/13. This has confused and upset NPOs.

The next problem relates to delays in being informed about the outcome of the applications. This year, as in previous years, NPO submitted applications around October 2009 but were only informed in late June 2010 about the outcome of the applications. Meanwhile the government's financial year starts in April 2010. One NPO interviewee excused this delay on the grounds that DSD would first need to get a monitoring and evaluation report on each organisation before knowing whether it could continue funding it. This excuse does not seem reasonable as monitoring and evaluation could happen in the middle of the financial year for which NPOs are funded.

Although these delays have been a problem for several years, they were much more of a problem this year given the anxiety caused by the earlier letter (see previous section) warning about budget cuts. DSD informed NPOs that it would continue funding at the existing levels and if the award was different from the current level, the difference would be spread over the months remaining once the NPO had been told the amount they had been awarded. This would have been of little comfort to NPOs which received reduced funding and whose funding for the later months would be further reduced by what would, in effect, be refunds to DSD. NPOs felt that they had a legitimate expectation in law that they would receive at least as much per month as in the previous year after having received this amount for the first four months of the 2010/11 financial year.

DSD had, in fact, planned to send out award letters earlier this year. They could not fulfil this intention because of a new element introduced into the approval phase. In previous years an internal DSD team had assessed the proposals and agreed on the awards. This year the MEC required that an external service provider be appointed to conduct an audit or "integrity test" of the process to ensure that it was fair, "fearless" and applied the principles consistently. This delayed the process.

Once awards have been approved, the standard process is that DSD first sends a letter informing NPOs of the amount that has been awarded and subsequently sends through a TPA for signing. NPOs reported delays in both these processes. In some cases, there were reportedly differences in the amount recorded in the letter and the TPA. NPOs were also surprised to find that clauses of the TPA had been changed, resulting in an agreement that seemed biased in favour of DSD. When NPOs raised their concern about this, they felt "bullied" into signing, with DSD warning that unless they signed, they would not get their money. This threat was strengthened by the fact that the process had been badly delayed and NPOs were now badly in need of the money.

Another way in which TPAs have changed this year is that they now specify outputs i.e. what must be "delivered" for the money. This is in line with a general move within government towards performance-based budgeting. Some NPOs now face a situation where the amount of funding for which they applied has been cut, but without matching cuts in the expected outputs.

In addition to late notification of standard applications, several interviewees reported late arrival of money for projects. This included cases of an NPO being offered funding – without having applied – in September of a given year. When this funding was not followed up with funding in further years, the NPO felt that the September funding was probably offered because DSD had unallocated money and was worried about its own underspending rather than through commitment to ongoing funding of service delivery. In other cases funding for special projects was discussed and agreed relatively early in the financial year, but only arrived mid-year. Such delays bring a real danger that the project will then under-spend, or will spend sub-optimally in the rush to spend 12 months of funds in a much shorter period.

The 2010/11 cut in budget

Above we refer to the notification that NPOs providing children's services received in late January 2010 about the likely cut in funding. As can be expected, this caused great consternation in the sector. The second letter did not serve to allay the fears. The only comfort was the clear statement that cuts would only be made to funding of NPOs that were non-compliant or not operating within the government's chosen programme areas. Advice offices, for example, were told that they should not expect funding. This comfort fell away when NPOs were finally informed of their allocations in that some NPOs that were fully compliant and within the programme areas had had their budgets cut. Where cuts were made, NPOs struggled to get reasons for the cuts and to which areas they related.

A further source of tension was the Department's use of the term "purchase of services". Several interviewees noted that the national policy on financial awards to NPOs provided for purchase of services alongside subsidy and other options. They pointed out that if DSD awarded less than the amount specified in the application on the grounds that they had decided not to "purchase" the full set of activities, then (a) DSD needed to specify clearly which activities it did not intend to purchase and (b) DSD needed to pay the full costs involved of providing the services that they were "purchasing". NPOs complained that neither of these had happened.

Summary

The above details a range of problems in relation to NPO funding. Many of the problems relate to lack of clear and timely communication by DSD. Many relate to inefficiencies in DSD's operations. One result of these problems is that NPOs are prevented from doing proper planning. This, in turn, is likely to jeopardise the quantity and quality of service delivery to vulnerable children. A second result is a souring of the relationship between DSD and NPOs. Several interviewees remarked on the fact that this relationship has been relatively good in the Western Cape. Several also remarked on the fact that DSD's past actions showed that it was keen to work in a "developmental" way. This remark was made, for example, in relation to DSD's willingness to fund innovative pilot projects, as well as the way in which, when small NPOs were found by the monitoring and evaluation process to have problems, DSD tried to find ways to address this and did not simply cut funding. Unfortunately, some of the goodwill established over previous years has been destroyed by what has happened around the 2010/11 funding.

Conclusion

This paper describes a very worrying situation in respect of implementation of the Children's Act in Western Cape. Analysis of the budgets for the various sub-programmes show little evidence that the province is committed to rolling out the Children's Act more effectively. Among the most worrying aspects of the budget are the trends in respect of funding of NPOs, who have traditionally been the main service providers of children's services, and whose services are needed on an increased scale if children's rights are to be realised.

There is a clear shift in strategy within the department. There have been some public statements about the shift, although very little open discussion with the NPOs concerned as to why the shift is happening.

One of the public statements was made by the provincial MEC for social development on 12 February 2010. This statement thus was made several months after NPOs had submitted funding applications, yet before they had been informed of their awards. The statement followed very soon after the letters sent to NPOs warning about a major cut in funding.

The 12 February statement noted that the provincial government had completed a "comprehensive audit" of NPO service delivery and that "in the week ahead" the "several hundred" applications received from NPOs would be screened by the independent panel and recommendations made for funding in 2010/11. In reality, however, it was only in May that NPOs were informed about their individual awards. The MEC's statement was explicit about the fact that fewer NPOs would be funded in 2010/11, with the focus on "service providers which have strong track records (as reflected in the monitoring and evaluation reports compiled by the Department's Monitoring and Evaluation reports) and whose services most closely correspond to the Constitutional mandates and strategic objectives of the Department." The decision to adopt this "new, more transparent and rigorous funding system for NPOs" was explained by several factors, namely:

- The "major reduction" in the overall allocation for the province from national government
- The fact that the province had a new government "with a new mandate from the electorate" and perhaps different policy objectives from the previous government
- Indications from NPOs that funding provided was insufficient to provide quality services
- Addressing apparent corruption in two district offices – Caledon and Khayelitsha.

Many NPOs would strongly contest the statement that the 2010/11 process has been more transparent than in previous years. NPOs also, understandably, are upset at the suggestion that budgets have been cut because they do not have strong records of delivery. This suggestion is especially hurtful for NPOs that have been funded and delivered services over many years, have never received any critical feedback from the department, and have done their best to be in line with government requirements, priorities, and preferred ways of delivering services as these have changed over time.

The MEC's budget speech stated that the Department had dealt with the fact that it received less than had been predicted in the 2009/10 budget (but more, in absolute terms, than in 2009/10) in three ways.

- By "re-organising" the way it "conducts it business"
- By identifying efficiency gains in its own operations
- By "re-prioritising" and "modernising" the way NPO transfers were managed.

As shown above, the reorganisation of its own way of "doing business" results in a substantial increase in internal expenditure. This, in turn, means that the cutback on NPO funding was greater than it would otherwise have been. This approach – of insourcing a greater proportion of the work – is unusual for a strategy of "modernisation". In addition, because NPOs do work much more cheaply than government does, the new strategy is likely to be more expensive in achieving the same outputs. With a limited budget, this will mean fewer services to children and a further delay in implementing the Children's Act effectively.

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