

SOCIAL SERVICES AND POVERTY ALLEVIATION

Introduction

The Department of Social Services and Poverty Alleviation's function within the Western Cape province is to provide a social safety net for the poor, the vulnerable and those with special needs in a developmental manner. By performing this function it intends to make residents of the Province systematically more self-reliant, whilst also ensuring the payment of social grants to those who are eligible in terms of current legislation.

Expenditure Trends 1997/98 to 2004/05

The Department's expenditure for the period 1997/98 to 2001/02 increased in nominal terms at an annual average rate of 1,83%. The budget increases to R2,7 billion in 2002/03, a real increase of 6,83% compared with 2001/02. For the period 2001/02 to 2004/05 the budget is projected to grow at an annual average nominal rate of 9,72% from approximately R2,38 billion to R3,19 billion.

Table 1: Expenditure 1997/98 – 2004/05

PROGRAMME	Actual					Voted	Medium-term estimate	
	1997/98 R'000	1998/99 R'000	1999/00 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000
Administration	26 854	29 666	41 308	30 688	22 748	24 496	25 597	27 283
Research and Development	9 796	5 849	9 548	1 951	2 014	4 375	4 893	5 252
Developmental Social Service Delivery	276 651	265 949	226 670	257 814	248 133	245 271	249 009	249 784
Social Security	1 898 405	1 787 693	1 825 463	1 810 241	1 955 698	2 287 639	2 502 525	2 717 416
Customer Services	0	102 951	111 431	100 785	149 336	160 434	173 045	186 867
Total	2 211 706	2 192 108	2 214 420	2 201 479	2 377 929	2 722 215	2 955 069	3 186 602
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Nominal Growth %		-0,89	1,02	-0,58	8,02	14,47	8,55	7,84
Real Growth %		-7,11	-4,61	-7,17	1,33	6,83	2,6	2,99

Because of the phasing out of the State Maintenance Grant and the re-registration project from 1998/99 to 2000/01, there was a real decrease in the

expenditure of the department for that period. This topic will be covered in more detail later in the chapter.

The White Paper on the Development of Social Welfare sets out the 80:20 policy, which is the desired proportion of social security to developmental social welfare spending for a Social Services department. Given strong real growth in the Social Security programme and a relatively flat growth trend for the Developmental Social Service Delivery programme, this ratio proves difficult to obtain. As more pressure is placed on providing grants to the eligible, more money will be allocated to Social Security to provide grant funding, thereby skewing this ratio (84:16 in 2002/03) even further.

Programme 3: Development Social Service Delivery

The purpose of the Developmental Social Service Delivery programme is to provide funding to government sector programmes and projects as well as private sector programmes and projects. This programme also drives service delivery innovation and transformation, underpinned by an appropriate legal and policy framework. This is supported by training and capacity building for quality, impact and compliance. Developmental Social Service Delivery forms an integral part of the Department of Social Services as it places the emphasis on making people self-reliant and not state dependant for an income.

Table 2: Development Social Service Delivery Expenditure

SUB-PROGRAMME	Actual			Voted	Medium-term estimate	
	1999/00 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000
Policy	1 079	702	1 262	2 071	2 071	2 197
Programme Development	7 377	14 934	3 279	4 179	4 179	4 488
Programme Funding	21 8214	242 178	243 592	238 327	241 725	242 023
Programme Assessment	0	0	0	694	1 034	1 076
TOTAL	226 670	257 814	248 133	245 271	249 009	249 784
Percentage Change		From 1999/00 to 2000/01	From 2000/01 to 2001/02	From 2001/02 to 2002/03	From 2002/03 to 2003/04	From 2003/04 to 2004/05
Policy		13,74	79,77	64,10	0,00	6,08
Programme Development		102,44	-78,04	27,45	0,00	7,39
Programme Funding		10,98	0,58	-2,16	1,43	0,12
Programme Assessment					48,99	4,06

Table 2 shows expenditure for the Developmental Social Services Delivery programme. This programme accounts for more than 13% of the department's budget and has declined in real terms as a result of restructuring and the stagnation in subsidies. Funds to welfare organisations were not being distributed equitably and as a result the National Department of Social Development devised a welfare financing policy to distribute resources equitably

across welfare organisations. This policy is however incomplete as costing models and mechanisms are still to be developed. In the meantime the Western Cape started with a process of directing existing subsidies to the most vulnerable communities – a process that will be phased in over a couple of years.

During the 2001/02 roll-over process, money was made available to reduce the impact on beneficiaries of the phasing out of the old State Maintenance Grant. For the current financial year a real decrease is evident. From current projections for the MTEF it appears that this trend is set to continue.

It would thus appear that the 80:20 split between Social Security and Developmental Social Welfare, which was alluded to earlier, is becoming more unattainable. The importance of Developmental Social Welfare Delivery in our current society should not be underestimated as it can also be used as a tool to combat poverty. Because of the overbearing burden that the Social Security grants place on the department's budget it appears that there is a "crowding out" effect on this programme.

Programme 4: Social Security

The objective of the Social Security programme is to provide for the payout of various grants to qualifying individuals. Among other grants that are paid under this programme are the Child Support Grant (R130 per month), Care Dependency Grant (R620 per month), and the Disability Grant (R620 per month). Grant values presented here are those as at August 2002.

Social Security is strongly driven by legislation and has been identified as a tool that can be used to combat poverty within the Province. By increasing the take-up rate of eligible persons, many households could potentially be lifted out of abject poverty.

Table 3: Social Security Expenditure

SUB-PROGRAMME	Actual			Voted	Medium-term estimate	
	1999/00 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000
Administration	49 560	56 626	53 437	73 398	80 598	87 789
Child and Family Care	299 672	205 702	228 952	349 189	405 573	456 129
Care of the Aged	894 325	938 420	986 253	1 138 880	1 222 020	1 305 541
Care of the Disabled	578 764	607 148	685 317	722 308	790 470	864 093
Relief of Distress	3 142	2 345	1 739	3 864	3 864	3 864
TOTAL	1 825 463	1 810 241	1 955 698	2 287 639	2 502 525	2 717 416
Percentage Change		From 1999/00 to 2000/01	From 2000/01 to 2001/02	From 2001/02 to 2002/03	From 2002/03 to 2003/04	From 2003/04 to 2004/05
Administration		14,26	-5,63	37,35	9,81	8,92
Child and Family Care		-31,36	11,30	52,52	16,15	12,47
Care of the Aged		4,93	5,10	15,48	7,30	6,83
Care of the Disabled		4,90	12,87	5,40	9,44	9,31
Relief of Distress		-25,37	-25,84	122,20	0,00	0,00
Total for Programme		-0,83	8,04	16,97	9,39	8,59

Table 3 illustrates the expenditure trend for the Social Security programme up to 2001/02. From 1997/98 to 2001/02 there was an average annual nominal increase in expenditure of one percent. There was a decrease in expenditure for 2000/01. This is attributed to the phasing out of the old State Maintenance Grant and the introduction of the Child Support Grant. From 2001/02 to 2004/05 there is a nominal increase of 11% in budgeted expenditure, again showing the importance of this programme as a tool to fight poverty (alleviation). This now pales into insignificance given current expenditure trends and future projections.

Child Support Grant

It was decided by the National Cabinet in 1997 to phase out the State Maintenance Grant (SMG) over a three-year period starting in April 1998 and terminating at the end of March 2001, and to replace it with the Child Support Grant (CSG). The SMG was reduced on an annual basis by R100 from R300 per child to zero in April 2001. The aforementioned policy decision also explains the decrease in social security expenditure as the CSG was introduced at R100 and increased to R130 by April 2002.

Furthermore, because of the fact that the SMG was more beneficial to the applicant, the initial take-up rate for the CSG was very slow. A vigorous marketing campaign to create awareness of the new CSG has, however, seen an unremitting increase in expenditure from 2001/02 to 2002/03 and an unabated increase in the take-up rate from April 2000 to the present. Regulatory changes with effect from 1 December 2001 amended the threshold income to qualify for a grant to that of the income of the primary caregiver (if not married) as opposed to household income, increasing grant take-up further.

Table 4 illustrates the number of children that benefit from the CSG and beneficiary growth trends.

Table 4: CSG Growth Trends

Month	Year	Children	Targets	(Over)/Under
April	2000	9,365	27,900	18,535
April	2001	52,274	51,750	(524)
April	2002	137,830	74,970	(62,860)
August	2002	169,739	90,000*	(79,739)
September	2002	176,799	(March 2003)	
March 2003				

On implementation of the CSG, the National Department of Social Development set annual targets, based on Census 96 information, for the potential number of children that would be eligible for this grant. In 1999/00 and 2000/01 targets

were higher than the number of children actually receiving the grant. However, in 2001/02, the target was exceeded by nearly double and in the current financial year, the national target (90 000 by 31 March 2003) has already been exceeded by 100% and the number of grantees continues to grow. This poses a problem to this department's budget, as there are not enough funds available to deal with the situation.

Currently the Western Cape Provincial Treasury, the Department of Social Services, the National Treasury and National Department of Social Development are in consultation to find a solution to this crisis. It is feared that the financial implications of this situation will continue to have a negative impact on the MTEF budget years as "conservatively" set take -up rates and related expenditure have been built into them. For 2002/03 an over expenditure of approximately R70 million is expected on this grant alone. It is very difficult to determine the upper limit with regard to the potential number of eligible children for the Province, mainly because of a lack of proper demographic information, migration patterns between this and other provinces and regulatory changes impacting on eligibility status. According to recent analysis, approximately 624 000 children fall within the age group 0 – 6 years within the Western Cape. By the end of August 2002 close to 30% of this total were already receiving the CSG. Poverty and income indicators would seem to suggest a rough estimate of 50% or 312 000 of the child population being potentially eligible for the CSG.

Disability Grant

The disability grant (DG) is paid to individuals that are physically and/or mentally disabled. Since December 2001 there has been a huge increase in the number of disabled beneficiaries, attributable to nationally driven changes in the regulatory framework governing the disability grant effected on 1 December 2001. This increase has had a severe impact on the budget of this Department. The changes relate to the scrapping of the requirement for a pension medical officer or gatekeeper to review the assessments of general practitioners, which obviously led to a less stringent grant qualification process. Table 5 below sets out the number of disability grant beneficiaries.

Table 5: Disability Grant Beneficiary Numbers

Month	Year	Beneficiary Numbers	%Growth
April	1999	89 257	
April	2000	89 960	0,79
April	2001	90 721	0,85
November	2001	93 249	2,79
August	2002	117 656	20,74
September	2002	119 867	1,84

From Table 5 above it is apparent that there were no significant increases in the number of beneficiaries for this grant from April 1999 to November 2001. However, in a period of 10 months (November 2001 to August 2002) the number of beneficiaries increased by over 26%, which stands in stark contrast to the previous two years. As mentioned earlier, nationally driven changes to the regulatory framework of the disability grant have caused unexpected expenditure for this department's budget in 2002/03, which is already struggling to cope with the rapid take-up rate of the CSG.

Calculations show that the department is anticipated to exceed its 2002/03 budget for the disability grant by approximately R223 million. It is also feared that if this trend of beneficiary numbers continues, it will have a negative financial impact on MTEF budgets as changes in the disability grant regulatory framework have not been factored into the MTEF budgets.

Impact of Growth in CSG and DG

Table 6: Growth in CSG and DG beneficiaries

Grant Type	August 2002	March 2003	March 2004	March 2005
CSG	169 739	219 766	304 705	422 474
DG	117 656	125 671	144 823	166 894
Total	287 395	345 437	449 529	589 368

Projections in Table 6 above are based on the growth parameters in beneficiary numbers from April 2002 to August 2002 as agreed with National Treasury.

Table 7: Financial impact of growth in CSG and DG beneficiaries

Financial Year	R'000
2002/03	315 101
2003/04	608 520
2004/05	999 101
Total	1 922 722

From the above it is apparent that the Province is not in a position to accommodate the pressure in this regard.

Regulation 11 Backpay

Regulation 11 of the Social Assistance Act, 1992, promulgated on 31 March 1998 in Government Notice R418, which states that a grant must accrue from the date of approval, was declared invalid by the High Court of South Africa and set aside,

resulting in backpayments to qualifying applicants.

The implications of the above ruling is that, with effect from 1 April 1998, a grant must accrue from the date of application and not from the date on which it was approved. Because of this the Western Cape Social Services and Poverty Alleviation Department is obligated to compensate beneficiaries who have applied and qualified for grants since 1 April 1998 for losses suffered as a result of the implementation of Regulation 11.

On the grounds of the above ruling an amount of R175,508 million was made available to the Western Cape to fund the payment of arrears. Of this total an amount of R2,5 million was set aside for administrative costs related to the payment of arrears. The balance is used for the backpayment of the various social grants.

Table 8 indicates how the various social grants will be paid out. In June 2002 and subsequent months the Child Support Grant was paid. In July 2002 and subsequent months, the Old Age and War Veterans grants as well as the grant in-aid related to these grants were paid out. In August and September 2002, Disability, Foster Care and Care Dependency grants as well as grants related to these were paid out. Inactive cases will be dealt with in September and the following months.

Table 8: Regulation 11 Payments

GRANTS	Actual Expenditure June R'000	Actual Expenditure July R'000	Actual Expenditure August R'000	Actual Expenditure to date as at 31 August 2002 R'000	Budgeted Expenditure R'000
Child Support	19 824	1 192	72	21 088	30 862
Old Age		21 410	539	21 949	27 685
War Veterans		18	5	23	35
Disability			3 845	3 845	38 823
Grant-in-Aid		136	6	142	510
Foster Care			599	599	39 829
Care Dependency			2 457	2 457	6 461
Inactive Cases					28 776
Total	19 824	22 756	7 523	50 103	172 981

It has been determined that thus far approximately 129 000 children have been reached with the backpayment of the CSG. The administrative costs are currently standing at R2.3 million and range from communication to personnel, including transport and equipment.

Assessment of Service Delivery and Performance Measures

When assessing service delivery one should focus on Programme 4: Social Security. As the payment of social grants is a prime function of this department, it can be seen that the targets set for some of the grants have been exceeded.

For the Child Support Grant the number of children that would be registered was projected at 1 525 37 for August 2002. However, the actual number of children registered is 1 816 24, which exceeds the projection by 19%. It is also interesting to note that the target that was set by the National Department of Social Development is 900 000 by March 2003.

For the Disability Grant the number of beneficiaries that would be registered was projected by the Department of Social Services at 90 831 for August 2002. However, the actual number of beneficiaries registered is 115 691, which exceeds the projection by 27%.

Another factor that can be considered in assessing service delivery is the processing of grants. The norm for the processing of grants has been set by the Department of Social Services at 25 days in the Western Cape, although the national norm for the country is 35 working days. If one considers this norm for the processing of grants and the number of beneficiaries by which the grant targets for the CSG and the DG are exceeded, it is evident that the department is delivering more than the required services.

Although these services are being delivered, one needs to focus on personnel as well. The "personnel:beneficiary" ratio should be 1:800; currently, because of the increase in beneficiary numbers, the ratio stands at 1:1500. By comparing these ratios it would appear that additional staff is required if service delivery is to remain effective.

Shifting Poverty Alleviation

Poverty Relief projects were introduced to provide skills development and food security. Below is a table illustrating the allocations for Poverty Relief.

Table 9: Sub -Programme: Poverty Alleviation

Sub-Programme	2001/02 Actual Expenditure R'000	2002/03 Voted R'000	2003/04 MTEF R'000	2004/05 MTEF R'000
Poverty Relief	3 010	12 367	12 946	13 246

Table 7 reflects low spending for 2001/02 compared with the 2002/03 budget. In order to have a more focused approach to poverty relief, Cabinet deemed it fit to shift Poverty Relief from Vote 1: Premier, Director -General and Corporate Services to Vote 7: Social Services.

Conclusion

If current growth in Child Support Grant and Disability Grant beneficiary numbers continues, Developmental Social Service Delivery will be crowded out. Likewise, the growth rates will crowd out other services in the social services sectors such as Education and Health.

Growth in beneficiary numbers should thus be contained by ensuring that only those who legitimately qualify receive the grants.

External factors such as national policy shifts need to be resourced through an adequate shift in the vertical split of revenue collected nationally in favour of the Province.

Notwithstanding the aforementioned, the importance of Developmental Social Service Delivery should not be underestimated, as it will help the Department to achieve its vision of a self-reliant society.

The National Department responsible for the management of the SOCPEN (security grant) system needs to be encouraged to improve the efficiency of the system.

The Department is in the process of instituting various cost-saving initiatives, but their impact will not be substantial, as savings to the tune of R30 million are envisaged.