**The Budgetary Review and Recommendation Report of the Portfolio Committee on Human Settlements, dated 16 October 2013**

The Portfolio Committee on Human Settlements (the Committee), having considered the performance and submission to National Treasury for the medium term period of the Department of Human Settlements, reports as follows:

**1. Introduction**

In 2009, the President assented to the Money Bills Amendment Procedure and Related Matters Bill. The Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009) came into effect on 16 April 2009. The Act aims to provide for a procedure to amend money Bills before Parliament. The Act enables Parliament to amend the budget and other money bills. This includes the annual Division of Revenue Bill [[1]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105pcsettlebrrr.htm#_ftn1), the Annual Appropriation Bill and the Adjustments Appropriation Bill.

Cabinet adopted an outcomes based delivery approach in 2010 to achieve the predetermined objective to accelerate services to the people. All spheres of government should work in a coordinated fashion to effect twelve (12) measurable outcomes which assists to focus all policy and programme implementation. These predetermined objectives, with associated and defined targets, should be reached by 2014. Outcome 8 is focused directly on the mandate of the Department of Human Settlements and states that the department is responsible for the creation of sustainable human settlements and improved quality of household life.

The President further proclaimed the transfer of the sanitation function, from the former Department of Water Affairs and Forestry to the Department of Human Settlements. This was done because improved sanitation is an important aspect of an improved quality of household life; transferring sanitation to the same department that is responsible for would be responsible for sustainable human settlements provided a more focused approach to the delivery of the Department of Human Settlement.

Outcome 8 further brings an important policy shift away from the mere building of houses. The Department of Human Settlement is now at the centre of establishing human settlements in which the dignity of people is substantially improved by providing better houses, improved sanitation, better access to schooling, health care, sports and recreation, places of worship and arts and culture, as well as employment opportunities.

The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Human Settlements is based on information that it accessed through rigorous engagement with the Department on its annual planning processes, and with relevant stakeholders on legislation as indicated below:

* The Money Bills Amendment Procedure and Related Matters Act (No 9 of 2009)
* 2013 State-of-the-Nation Address;
* The Public Finance Management Act (Act No 1 of 1999 as amended by Act No 29 of 1999)
* Department of Human Settlements strategic plan and performance target 2012/13;
* Quarterly Reports of the Department October 2012 -  June 2013;
* Department of Human Settlements Annual Report 2012/13;
* Report of the Auditor-General to Parliament on the Financial Statements of Vote No. 31: National Department of Human Settlements for the year ended 31 March 2013;
* Financial and Fiscal Commission Recommendations of 2012/13;
* Division of Revenue Act (DoRA);
* Public Service Commission;
* Portfolio Committee on Human Settlement’s Strategic Plan;
* Report of the South Africa Human Rights Commission;
* Report of the Public Protector;
* National Development Plan;
* Department of Performance, Monitoring and Evaluation;
* National Treasury;
* Policy statements issued by Cabinet from time to time.

The Committee further engaged with the following entities that report to the Minister of Human Settlements and who work with the national Department:

* National Urban Reconstruction and Housing Agency;
* National Home Builders Registration Council;
* National Housing Finance Corporation;
* Housing Development Agency;
* Rural Housing Loan Fund;
* Social Housing Regulatory Authority. Annual Report;
* Estate Agency Affairs Board.

**1.1. Mandate of Committee**

The Committee’s mandate is to maintain an oversight responsibility that ensures a quality process of scrutinising and overseeing government’s action.  It is driven by the ideal of realising a better quality of life for all people in South Africa.  It is also required to facilitate public participation and oversees compliance with regulatory legislative frameworks related to human settlements.

In brief, the Committee:

* Considers legislation referred to it;
* Conducts oversight of any organ (s) of the state and constitutional institution (s) falling within its portfolio;
* Facilitates appointment of candidates to entities;
* Considers international agreements; and
* Considers budget of department and entities falling within its portfolio.

In doing its oversight, the Committee consults and engages with relevant state and civil society organs on matters related to human settlement and the urgent need to improve the quality of household life.  It has a responsibility to enhance and develop the capacity of its members to exercise effective oversight over the Executive Authority on issues related to the human settlements portfolio.

As mentioned above, the Committee processes and passes legislation, and ratifies international protocols and conventions related to human settlements. It participates in national and international human settlements conferences. It consults with the National Council of Provinces on human settlements legislation affecting the Provincial Legislatures, and with other Committees within the National Assembly.  The Committee regularly engages in any activities and programmes aimed at the development of human settlements and the urgent need to improve the quality of household life of all South Africans.

**1.2 The Department of Human Settlements**

The mandate of the Department of Human Settlements is to determine, finance, promote, co-ordinate, communicate and monitor the implementation of housing policy and the provision of human settlements.

Since the formulation of the Comprehensive Housing Plan in 2004, the department has conducted various initiatives to enhance the creation of comprehensive, integrated, co-ordinated and sustainable human settlements and quality housing. These initiatives include the review of the National Housing Code which determines national norms and standards in respect of housing development. In addition, it developed the provision of the Farm Worker/Occupier Housing Assistance Programme as well as the identification, acquisition and assembling of land parcels for human settlements through the Housing Development Agency.

As mentioned in the introduction to this report, Outcome 8 of government’s outcome-based service delivery approach is focused on the mandate of the Department of Human Settlements. This mandate is to create sustainable human settlements and work towards improving the quality of household life. Section 26 of the Constitution of the Republic of South Africa (1996) and the Housing Act (No. 107 of 1997) are still considered the foundation for the operational models and the spending focus of the Department.

**2. DEPARTMENT’S STRATEGIC PRIORITIES AND MEASURABLE OBJECTIVES**

**2.1 Strategic Plans of the Department**

2.1.1 Summary of the Department’s five (5) year strategic plan: mandatory delivery targets 2009 - 2014 as stated in outcome 8

Outcome 8:       Integrated human settlements: sustainable human settlements and improved quality of household life.  Outcome 8 has four delivery outputs:

•       Output 1:  Accelerated delivery of housing opportunities:

-       Upgrading of 400 000 households in informal settlements with access to secure tenure and basic services;

-       Implementation of the National Upgrading Support Programme for informal settlements;

-       Accreditation of municipalities to perform the housing function.

•       Output 2:  Access to basic services:

-       Provision of universal access to adequate sanitation by 2014.

•       Output 3: Land assembly and effective utilisation:

-       Release of  6250 ha of land vested nationally or provincially for human settlements development;

-       Increased urban densities to 60 units/ha;

-       An approved land use management framework.

•       Output 4:  Improved affordable property market:

-       Provision of 80 000  well-located rental accommodation  units by 2014;

-       Establishment and implementation of a Mortgage Insurance Guarantee Scheme to deliver 600 000 housing finance opportunities by 2014;

-       Revised Finance-linked Individual Subsidy Programme (FLISP) to be responsive to the challenges in the affordable (Gap) market.

**2.1.2     Annual Performance and Operational Indicators**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **Programme** | **Annual performance** | | | | | | |
|  |  | **Past** | | |  | **Projected** | | |
|  |  | **2008/09** | **2009/10** | **2010/11** | **2011/12** | **2012/13** | **2013/14** | **2014/15** |
| **Number of social and rental accommodation units provided** | **Housing Planning and Delivery Support** | **0** | **0** | **8,655** | **15,816** | **25,693** | **31,460** | **33,348** |
| **Number of Municipalities provided with technical assistance for informal settlement upgrading (Cumulative)** | **Housing Planning and Delivery Support** | **0** | **0** | **20** | **20** | **49** | **49** | **49** |
| **No.  of Municipalities assessed for accreditation level two** | **Strategic Relations and Governance** | **0** | **0** | **6** | **11** | **10** | **5** | **5** |
| **Number of hectares of land prepared for human settlements development** | **Housing Development Finance** | **0** | **0** | **4,945** | **2,100** | **2,100** | **2,100** | **2,100** |
| **Number of finance opportunities in the affordable market facilitated  for households in the affordable sector** | **Housing Development Finance** | **0** | **0** | **47,616** | **69,576** | **69,970** | **74,470** | **78,938** |
| **Number of houses/units completed per year** | **Housing Development Finance** | **160,403** | **161,854** | **121,879** | **88,441** | **127,200** | **134,832** | **142,922** |
| **Number of sites serviced per year** | **Housing Development Finance** | **68,469** | **64,362** | **63,546** | **33,361** | **72,876** | **77,248** | **81,883** |
| **Number of households upgraded in well-located  informal settlements with access to secure tenure and basic services** | **Housing Development Finance** | **0** | **0** | **52,383** | **66,639** | **67,124** | **62,752** | **66,517** |
| **Number of Municipalities provided with pre and post accreditation support** | **Housing Planning and Delivery Support** | **0** | **0** | **0** | **0** | **0** | **27** | **27** |

**3. Human Settlements Conditional Grant Expenditure**

**3.1. The Human Settlements Development Grant (HSDG)**

The Department of Human Settlements (formerly the Department of Housing) has successively incurred under-expenditure over the past five financial years. The lowest expenditure was in 2007/08 with 95.7 per cent (i.e. R8.6 billion against an available budget of R8.9 billion). In 2011/12, the Department spent 99 per cent (i.e.R22.6 billion against an available budget of R22.8 billion), resulting in under-expenditure of R226.6 million.

The graph below depicts the performance of the grant from 2006/07 to 2011/12. The analysis is assisting to determine the growth of the grant versus its performance:

The grant is administered by the national Department of Human Settlements and is aimed at providing funding for the creation of sustainable human settlements.

The expenditure performance of the Human Settlements Development Grant over the review period averages approximately 95%, about 5% short of achieving full expenditure. The highest expenditure outcome for this grant was registered in 2008/09 at 99.1% and the lowest expenditure outcome is 95.3 per cent in 2011/12

The outputs of this Grant include: financial interventions and measures that improve access to the property market; the number of informal settlement households upgraded; the number of social, rental and rural housing units developed; and the number of service sites developed.

**Analysis of the Human Settlements Development Grant performance for 2012/13**

A total of R15.5 billion was allocated for Human Settlements development during the 2012/13 financial year. The expenditure demonstrated that provinces have spent R15.252 billion (95%) during the 4th quarter. Provinces such as the Free State, Gauteng, KZN, and the Western Cape, managed to spend 100% of their allocated budget. The Eastern Cape and Limpopo recorded a expenditure figure of 83%. These are the two rural provinces where there is a considerable demand for housing.

The 2012/13 preliminary reports indicated that, the department has spent 97% leaving a variance of R641 million as at 31 March 2013.

Recurring under-expenditure issues include:

* Under-spending has mostly been attributed to unfilled vacancies (including vacancies that were delayed due to the turn-around strategy undertaken by the Department), consultants’ costs and acquisition in most programmes;

·         Under-spending on the Accelerated Community Infrastructure Programme (ACIP);

·         Poor spending on the Rural Household Infrastructure Grant and on the Goods and Services budget related to the Housing Subsidy System, the Special Investigations Unit and office accommodation.;

·         Low spending on office furniture and equipment; adverts for recruitment and office accommodation, transport and travel and subsistence;

·         In 2010/11, the Housing Policy, Research and Monitoring Programme under-spent on its budget due to delays in the roll-out of a new research framework, and in 2011/12, under-spending was attributed partly to less than expected spending on consultants undertaking housing research;

·         Programmes under the Housing Planning and Delivery Support Programme, e.g. the Human Settlement planning for implementation of the community outreach programme and the Accelerated Community Infrastructure Programme recorded under-expenditure;

·         Delays in the implementation of projects on the Rural Household Infrastructure Grant were due in turn to delays in procurement processes and the finalisation of appointment of service providers;

·         Delays in appointing service providers to maintain and render the necessary support to provinces on the Housing Subsidy System in 2010/11, as well as delays in payments for computer services related to the Housing Subsidy System.

**2.2.**

**Urban Settlements Development Grant as at 31 March 2013**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Municipalities** | **Allocated Funds National** | **Rollovers** | **Total Available** | **Transferred Funds** | **Spent by Metro’s** | **Variance Spent vs. Transfer-red** | **Variance Spent vs. Total Available** | **Transfer-red as % of voted funds** | **Spent as  % of Total Available** | **Unspent as % of Total Available** |
|  | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |  |  |  |
| Buffalo City | 499,474 | 267,314 | 766,788 | 499,474 | 155,903 | 343,571 | 610,885 | 100% | 20% | 80% |
| Nelson Mandela | 592,870 |  | 592,870 | 592,870 | 314,414 | 278,456 | 278,456 | 100% | 53% | 47% |
| Mangaung | 485,967 | 128,578 | 614,545 | 485,967 | 300,192 | 185,775 | 314,353 | 100% | 49% | 51% |
| Ekurhuleni | 1,212,537 |  | 1,212,537 | 1,212,537 | 640,628 | 571,909 | 571,909 | 100% | 53% | 47% |
| City of JHB | 1,290,748 | 76,439 | 1,367,187 | 1,290,748 | 493,207 | 797,541 | 873,980 | 100% | 36% | 64% |
| City of Tshwane | 1,051,070 | 10,118 | 1,061,188 | 1,051,070 | 654,014 | 397,056 | 407,174 | 100% | 62% | 38% |
| eThekwini | 1,287,560 | 28,369 | 1,315,929 | 1,287,560 | 803,000 | 484,560 | 512,929 | 100% | 61% | 39% |
| City of Cape Town | 971,980 | 70,869 | 1,042,849 | 971,980 | 483,346 | 488,634 | 559,503 | 100% | 46% | 54% |
| **Total** | **7,392,206** | **581,687** | **7,973,893** | **7,392,206** | **3,844,704** | **3,547,502** | **4,129,189** | **100%** | **48%** | **52%** |

**Issues arising**

The USDG sought to address several challenges related to infrastructure that slowed down and in some cases, blocked the delivery of sustainable human settlements. The successful implementation of the USDG would assist with the unlocking of human settlement project.

It would assist with land acquisition, the provision of bulk infrastructure and the better alignment of priority programmes in funding resources at the spheres of national, provincial and local government.

Unfortunately during the year under review, none of the cities managed to optimally spend the amounts allocated to them through the USDG. Buffalo City has been the lowest with only 20% followed by the City of Johannesburg with 36%. At a meeting held on 12th June 2013 between Mangaung and the Ethekwini Metropolitan Municipalities, it was reported that Mangaung has spent 58% of its USDG. In the 4th quarter report of the national department it is stated that Mangaung has in-fact spent only 49% of its USDG. Furthermore, EThekwini reported to have spent 78% of its USDG during the 4th quarter.

**Issues for consideration**

·    The under-expenditure of the USDG is a course for concern as the metros have such huge backlog of bulk-infrastructure. The infrastructure in cities such as Johannesburg is ageing and the influx rate of people into the city, continues to put pressure on the existing infrastructure.

* The conflicting reporting between the national department and that of metros on the expenditure of the USDG makes it difficult for the Committee to perform its oversight function.
* The department should consider putting in place credible systems and mechanisms for early detection of under-expenditure patterns on USDG and to ensure that the USDG is spent in the coming financial year and what are the recovery plans thereof.

**2.3. Rural Household Infrastructure Grant (RHIG)**

The importance of sanitation for human development finds expression in the United Nations decision to recognise sanitation as a human right. Communities that have suffered for generations attach a very high value to having quality sanitation. This is evident in all recent service delivery protest in provinces throughout the country.  Access to sanitation has the potential to create a very high level of public dissatisfaction that could escalate into pockets of instability in especially the rural areas but also in disadvantaged urban areas.

In this context, the decision by the National Treasury to transfer RHIG allocation directly to municipalities raised some concern. Based on information that is available on the Committee’s reports, it is evident that municipalities themselves are experiencing capacity constraints:

There are only 8 business plans that have been submitted for the RHIG to date. This is a clear indication that the municipalities were not ready to receive this grant. The majority of these municipalities are Water Services Authorities (WSAs) and are already struggling with the implementation of the Municipal Infrastructure Grant (MIG).  Municipalities are already in the second quarter of the municipal financial year, and to date, no disbursement has been made on RHIG. This is a clear indication that there the funds allocated would not be spent optimally by the municipalities with respect to RHIG.

It is the view of the Portfolio Committee on Human Settlements that consideration should be given to whether municipalities should thus be burdened with an additional grant arrangement when they are already grappling with MIG projects. The Department of Human Settlements reported that it geared itself to manage RHIG with the relevant municipalities.

The Portfolio Committee supports the view that RHIG should be converted from schedule 5 to 6 (b) and to allow the human settlements Portfolio Committee to oversee its implementation by the affected municipalities. Further, the Department of Human Settlements should package the business plans and contract directly with service providers for the implementation of this RHIG.

Finally, the Portfolio Committee on Human Settlements affirms its commitment to national and international commitments to monitor and oversee the eradication of sanitation backlogs in the country. With this objective in mind, it is of the view that the Department of Human Settlements is best placed to administer RHIG.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Province** | **Allocation: 2012/2013**  **(R’000)** | **Number of Benefiting Municipalities** | **Target Number of Toilets** | **No of Households served** | **% Completion** |
| Eastern Cape | R89,846 | 13 | 9,982 | 6,501 | 65% |
| Free State | R14,955 | 2 | 1,662 | 1,662 | 100% |
| Limpopo | R65,725 | 12 | 7,305 | 6,558 | 90% |
| Kwa-Zulu Natal | R104,000 | 15 | 11,559 | 5,589 | 48% |
| Mpumalanga | R24,000 | 2 | 2,667 | 2,667 | 100% |
| Northern Cape | R4,529 | 1 | 503 | 503 | 100% |
| North West | R37,570 | 7 | 4,174 | 3,897 | 93% |
| **GRAND TOTAL** | **R340,625** | **52** | **37,852** | **27,377** | **72%** |

It was reported that to-date the department has established an inter-Ministerial committee whose sole purpose is to see to the speedy roll out of a delivery plan on the sanitation programme in all affected provinces. To this end, the department has brought in technical skills from departmental entities to support the roll out plan.

**3. DEPARTMENTAL EXPENDITURE VS. PERFORMANCE TARGETS 2012/13**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Programmes** | **Final Allocation** | **Expenditure** | **Variance** | **%**  **Spent** | **Planned Targets** | **Achieved Targets** | **Variance/ Targets not achieved** | **% Achieved Targets** |
| 1.Administration | 340 197 526 | 257 367 884 | 82 829 642 | 76% | 25 | 20 | 5 | 80% |
| 2: Human Settlements Delivery Frameworks | 41 576 039 | 33 540 682 | 8 035 357 | 81% | 12 | 3 | 9 | 25% |
| 3: Human Settlements Strategy And Planning | 41 846 287 | 33 275 460 | 8 570 827 | 80% | 21 | 11 | 10 | 52% |
| 4: Programme Management Unit | 167 709 194 | 86 521 850 | 81 187 344 | 52% | 28 | 15 | 13 | 54% |
| 5: Office Of The Chief Financial Officer | 24 440 076 000 | 23 958 807 231 | 481 268 769 | 98% | 21 | 11 | 10 | 52% |
| 6: Office Of The Chief Operations Officer | 106 399 954 | 93 758 589 | 12 641 365 | 88% | 21 | 13 | 8 | 62% |
| **Total** | **25 137 805 000** | **24 463 271 696** | **674 533 304** | **97%** | **128** | **73** | **55** | **57%** |

**Performance of the National Department as per Approved Annual Performance Plans 2012/13**

The pie chart above is the extension of the Departmental performance and it gives the average performance figure for 2012/13

**3.1. Analysis of Department’s prevailing strategic and operational plan**

The department has made reasonable strides and progress in setting the delivery framework and systems for the achievement of Outcome 8 targets.  In the National Upgrading Support Programme (NUSP) which deals with informal settlements upgrading and provision of services and secure tenure, the department has improved outputs and have to date provided approximately 190 000 households with upgraded services and secure tenure.  The department has also revised the Finance Linked Individual Subsidy Programme (FLISP) to improve the ability of households in the income category (R3 501- R15 000) to access mortgage finance for housing, thus increasing access to housing finance and the provision of shelter and basic services.  The overall achievement by the department during the financial year under review is 57%.  This means out of 128 targets which were planned for the period under review, 73 targets were achieved, whilst 55 targets were not achieved.

Performance progress is highlighted as follows:

·         The People’s Housing Process (PHP) reveals progress in the following provinces: Mpumalanga (2 750 units), KwaZulu-Natal (1 6 28 units), Western Cape (1 300 units), and North West (450 units) which brings the total to 6 801 units delivered.

·         An improved performance in accreditation of municipalities has been recorded, for instance at level 1– eight (8) municipalities and 1 district accredited and in level 2 – seven Metros, three district and eight local municipalities have been accredited.  Therefore, the assessed and accredited municipalities to date are 27 municipalities.

·         Progress in Outcome 8 – it has been noticed that there are 192 253 formal housing units have been allocated to 255 628 households since 2009 to 2013 that represents 63% 400 000 units of 2014 target.  RHIG performance – it was noticed that as from March 2010 to March 2013 there were 131 municipalities benefited from the grant. Furthermore, a total of 63 118 toilets were completed to date.

·         With the under-spending in programmes 2 and 3 which affects policy and planning, the Committee is concerned that is policy and planning are being neglected that this will ultimately affect delivery and result in poor delivery.

**Performance by human settlements institutions**

**National Home Builders Registration Council**

It is worth noting that there has been a progress in the registration and enrolment of project for quality assurance compliance.  The National Home Builders Registration Council was established in 1998 in terms of the Housing Consumer Protection Measures Act, 1998 (Act No.95 of 1998). The NHBRC is mandated to protect the housing consumer and to regulate the home building environment by promoting innovative home building technologies, setting homebuilding standards and improving the capabilities of home builders.

The table below illustrates the performance of subsidy and non-subsidy enrolment of units for the past seven financial years (since 2006/07 to 2012/13). It is evident from the data provided that, there has been a significant improvement in the enrolment of units. The NHBRC has enrolled a combined total of 206,141 homes from both the subsidy and non-subsidy homes for the year under review, which shows a growth of 16% from the previous financial year.

Figure:  (Source: NHBRC Annual Report 2012/13)

The graph below indicates that for non-subsidy inspection there has been an increase of 11% from the previous year to the year under review, whereas for subsidy sector the table indicates a decline by 38% which is aligned to the subsidy homes that were enrolled with the NHBRC. Since 2006/07 financial, the NHBRC has conducted a total of 4 28044 of inspection in both the subsidy and non-subsidy sector.

**Table: Enrolment Categories in non-subsidy sector**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Category | PA003 | Sectional title (100%) | Speculative | Sectional Title (20%) | Total |
| 0-500K | 2 530 | 9 277 | 7 796 | 1 081 | 20 684 |
| 500k-R1m | 1 647 | 6 767 | 3 340 | 1 0 24 | 12 778 |
| R1m-R2m | 673 | 2 282 | 3 972 | 321 | 7 248 |
| R2m-R5m | 310 | 585 | 2 401 | 68 | 3 364 |
| >R5m | 7 | 84 | 533 | - | 624 |
| **TOTAL** | **5 167** | **18 995** | **18 042** | **2 494** | **44 698** |

Source: NHBRC annual report 2012/13

**Inspections of Homes**

The NHBRC has conducted a total of 428,044 inspections for both the subsidy and non-subsidy sector. A total of 248,114 non-subsidy inspections were conducted against a target of 215,540 for the year under review, whereas a total of 179,930 subsidy inspections were conducted against a target of 338,200 for the year under review.

(Source: NHBRC Annual Report 2012/13)

**Figure above depicts total number of inspections conducted for non-subsidy and subsidy for the past seven years**

**Housing Development Agency**

A remarkable progress (exceeding target of 6 250ha set for 2014 in SONA) has been noticed in land acquisition through Housing Development Agency.  The actual delivery of 69 163 ha of state land was identified for assessment; 47 604 ha thereof was assessed for suitability for release and 7 455, 5 ha of land has been released to the following provinces Free State, Gauteng, KwaZulu-Natal, Limpopo and North West.  It was also reported that 10 210.9 ha of private land was acquired.

**Performance by Development Finance Institutions: Loans granted**

The total number of loans granted by the human settlements development finance institutions to the affordable property market was 226 495 during the period under review.

|  |  |  |
| --- | --- | --- |
| **INSTITUTION** | **TOTAL DELIVERY** | **% OF 2014 TARGET** |
| NHFC (Mortgage Loans) | 1 7 91 | 92.8 |
| NHFC (Incremental Loans) | 12 968 | 31.9 |
| NHFC (Wholesale funding) | 21 964 | 55.8 |
| NHFC (Leverage) | 5 917 | 46.1 |
| RHLF | 125 141 | 68.8 |
| NURCHA | 8 110 | 70.8 |

**Social Housing Regulatory Authority**

In the affordable rental accommodation which included social housing and community residential units as well as in the institutional housing at total of 37 7736 has been delivered which represents 42% of the 80 000 units required by 2014 target.

It was reported that 42 social housing institutions have been accredited.  Out of the 43 accredited institution, eight (8) were fully accredited, 12 conditionally accredited and 23 were at a pre–accredited stage.

**Estate Agency Affairs Board**

The Estate Agency Affairs Board was established in 1977 in terms of the Estate Agency Affairs Act (Act No.112 of 1976). The EAAB was transferred from the Department of Trade and Industry (DTI) to the Department of Human Settlements following a Cabinet decision to house all pieces of legislations pertaining to housing under one department. During the financial period under review, registrations increased by 6%. In the 2012/13 financial year, a total of 55 232 registrations were recorded compared to the 52 304 of the 2011/12 financial year. The number of inspections performed in the 2012/13 financial period increased dramatically. A total of 1 613 inspections were performed during the 2012/13 financial year, compared to 364 performed during 2011/12 financial year. The fidelity fund used to protect consumers against unscrupulous estate agents is in a healthy financial position. It has grown by almost 12% since the 2008/09 financial year. Its net asset value is R575 million as at the end of 2012/13 financial year.

**National Urban Reconstruction and Housing Agency**( **NURCHA)**

The National Urban Reconstruction and Housing Agency (NURCHA), has been mandated to provide bridging finance and development finance for Subsidy housing, Infrastructure and Community facilities and Affordable housing. NURCHA presented its 2012/13 business plan to the portfolio committee. A new funding model was envisaged, through the Contractor Finance and Development Programme, which sought to assist small and medium construction enterprises to produce quality houses, to become competitive through training and mentoring, and to be profitable and sustainable. About 120 contractors would be assisted, and women and youths were targeted in particular.

NURCHA was also attempting to ensure better sustainability. In order to minimise the risk, it had reviewed the lending model and introduced intervention plans to cure the root cause of risk. NURCHA was training its own staff in risk management, and was collaborating with the Department of Human Settlements (DHS), National Housing and Finance Corporation (NHFC), National Home Builders Registration Council (NHBRC) and other financiers in project implementation. It was also placing emphasis on better recovery of debt, and assisting contractors to submit invoices, and assisting provinces to pay the invoices on time. It had received a R300 million recapitalisation, over three years, and the first payment, in 2011, had already helped NURCHA to leverage funding from the private sector, and had restored local investment confidence, leading to a number of new partnerships. About 279 loans had been approved, because of low volumes of projects awarded to provincial and government departments. About 18 000 units would be delivered over a period of three years

**Rural Housing Loan Fund RHLF**

The mandate of the Rural Housing Loan Fund was to make loans available to low income households in rural areas, to build or improve their houses. These were households with an income of R9 800 and less. It empowered rural dwellers by giving them access to housing finance from sustainable retail lenders and government subsidies through the Individual Rural Subsidy Voucher Programme. The Rural Housing Loan Fund (RHLF) noted that it was stable and had had clean audits for its 12 years of operation. Its mandate was to enable people in rural areas to access finance so that they could incrementally improve their housing conditions. It covered communal land, rural towns and small towns. RHLF received R99 million through fiscal allocations in 2010/11 and 2011/12 financial years, and was expecting to receive a grant of R32 million in 2012/13.

It has been found that the current intermediaries were competing very strongly with the banks. This meant that RHLF had achieved its initial objective of ensuring that money was available in the rural areas. When RHLF was set up twelve years previously, nobody was lending money in rural areas, but the fact that RHLF’s intermediaries now held about R3 billion of outstanding book debts, and faced competition from banks. This meant that the banks were also interested in those areas. However, commercial banks would seek to consolidate debt and charge large fees, which increased people’s indebtedness without giving real benefit, and at the same time this had caused a decline in the number of loans being granted by the RHLF intermediaries. These issues would be taken up with the National Credit Regulator and RHLF was also trying to lend through community based organisations (CBOs). RHLF had sufficient financial resources to respond to any improvements in the market conditions over the Medium Term Expenditure Framework (MTEF) period, and to meet the demand for housing finance loans, but would need more funding beyond the current MTEF period to support business growth, and to meet incremental housing needs in rural areas and new settlements.

**3. Analysis of Section 32 Expenditure Report**

**3.1 Expenditure per programme: 1st; 2nd; 3rd and 4th quarters of 2012/13**

The Department of Human Settlements tabled its fourth quarter report for the 2012/13 financial year before the Portfolio Committee on Human Settlements. The analysis focused on both financial and non-financial performance of the department for the year under review. Since the term of the fourth democratically elected Parliament is coming to an end in 2014; it has been of paramount importance to retrospectively evaluate the performance of the department during the past four financial years (2008/09 – 2011/12). This would give a clear overview of the trends that have taken place and perhaps give a reflection of where the department has been heading to in terms of its performance. The focus has been mainly on the issues that have been raised in the audited reports by the office Auditor-General.

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| --- |
|  |
|  |  |

Fig 1: Source: Department of Human Settlements 2012/13

The above graph depicts quarterly expenditure by the Department

**Issues arising**

Figure 1 above provides a concise summary of the Department of Human Settlements in the first, second, third and fourth quarters of the 2012/13 financial year.  The allocation for the department for the financial year under review was R25, 3 billion. The department spent R24, 4 billion which translated into 68% of the total allocations during the 3rd quarter of 2012/13, with the under-expenditure of R641 million as at 31 March 2013.

**3.2 National Department of Human Settlement 2012/13 Quarter and Annual Performance Average**

Fig 2: Source: Department of Human Settlements 2012/13

The graph above depicts the average performance of the department from the first quarter to the fourth quarter. The overall average annual performance of the department is aggregated at 57%.

**Issues considered**

Notwithstanding, the fact that the department has improved in its expenditure performance an under-expenditure of R641 million was incurred.  It should also be noted that these were preliminary expenditure figures provided by the National Treasury as contained in the section 32 reports. The fully audited expenditure report has been made available in five months after the closing of the financial year.

·         Programme 1 (Administration) has under-performed with the expenditure sitting at 74% at the end of the financial year. The department had a challenge of filling vacant posts, especially at senior management level.

·         Programme 2 (Housing policy, Research and Monitoring) has spent only 69%, followed by programme 3 (Housing Planning and Delivery Support) with 64%.  There seemed to be a slow spending on the latter.

Note that in the previous annual report, in programme 1, the department reported that it would secure office accommodation by acquiring the building that was formerly used by the Independent Electoral Commission (IEC) which is located close to the physical address of the Department Human Settlements in Walker Street, Pretoria. However, it has been noted that the Department has not yet occupied those offices. This has resulted into vacancies being not filled and under-expenditure to that effect was incurred.

It is worth noting that the Human Settlement Development Grant (HSDG) is one of the key strategic grants aimed at ensuring that houses are delivered to the people at reasonable rate. The rate at which the Department has spent its HSDG is a cause for concern. It would have been expected that by the 4th quarter, the department would have spent 100% of the HSDG and not 95%.

The department has reported that since 1994, a total of 3,3 million houses have been provided to the people. However, because of the rising housing demand, the department should therefore give a clear indication as to whether the housing backlog that was reported to be sitting at 2.1 million is decreasing or not. This was back in 2009. South Africa should be seen to be moving when it comes to the provision of houses.

**4. Delivery Performance per province**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Province** | **Annual Delivery Target** | | | **Delivery Performance at 31 March 2013** | | | **Variance Delivery Sites** | **Variance Delivery Top Structure** | **Total Variance Delivery** |
| **Sites (units)** | **Top Structure (units)** | **Total Delivery Targets** | **Sites** | **Top Structure (units)** | **Total Delivery Performance** |
| **Eastern Cape** | 7,416 | 17,367 | 34,783 | 10,458 | 12,084 | 22,542 | (6,958) | (5,283) | (12,241) |
| **Free State** | 11,722 | 8, 736 | 20,458 | 5,070 | 5,477 | 10,547 | (6,652) | (3,259) | (9,911) |
| **Gauteng** | 14,536 | 26,348 | 40,884 | 7,677 | 21,220 | 28,897 | (6,859) | (5,128) | (11,987) |
| **KwaZulu-Natal** | 9,305 | 29,399 | 38,704 | 6,063 | 25,940 | 32,003 | (3,242) | (3,459) | (6,701) |
| **Limpopo** | 14,577 | 17,760 | 32,337 | 1,951 | 12,009 | 13,960 | (12,626) | (5,751) | (18,377) |
| **Mpumalanga** | 5,914 | 10,015 | 15,929 | 1,998 | 7,571 | 9,569 | (3,916) | (2,444) | (6,360) |
| **Northern Cape** | 2,785 | 2,646 | 5,431 | 2,019 | 2,820 | 4,839 | (766) | 174 | (592) |
| **North West** | 3,717 | 11,666 | 15,383 | 2,209 | 14,424 | 16,633 | (1,508) | 2,758 | 1,250 |
| **Western Cape** | 9,325 | 15,416 | 24,741 | 8,253 | 13,534 | 21,787 | (1,072) | (1,882) | (2,954) |
| **Total** | **89,297** | **139,353** | **228,650** | **45,698** | **115,079** | **160,777** | **(43,599)** | **(24,274)** | **(67,873)** |

**Issues arising:**

·         The department fell short of its delivery targets of 228,650 houses per annum. It has only managed to deliver 160,777 houses leaving the variance of 67,873 units. It would seem that the department has overly committed itself by setting high targets. This might have been caused by a number of factors, which would require the department to give explanation to the Committee to avoid future occurrences.

**4. Analysis of the Department’s Annual Report and Financial Statements**

**4.1 The Budget statement from the National Treasury 2013**

South Africa’s urban areas continue to experience strong growth, with 62 per cent of the population living in cities and towns. As a proportion of total households, informal dwellings declined from 16.4 per cent in 2001 to 13.6 per cent in 2011. However, focused efforts are required to deliver basic services where they are most needed. Appropriate changes to the local government infrastructure grant system are under consideration. The persistent divisions between town and township impose costs on communities, the economy and the fiscus. Government’s new approach to developing urban centres involves giving large municipalities more authority to coordinate spatial planning, manage land use and lead housing delivery. The cities support programme is coordinating government’s promotion of integrated urban development. In addition, grants will be redirected to ensure that housing and associated amenities are delivered in the areas where they are needed. Providing housing for low-income groups remains a major policy objective. Over the medium term, government will provide R3 billion for social housing (medium-density rental housing in urban areas), R30.3 billion to upgrade informal housing in metropolitan municipalities and R1.1 billion for rapidly urbanising mining towns. The special economic zone programme of the Department of Trade and Industry is receiving funds amounting to R2.9 billion to provide earthworks for purpose-built industrial parks incorporating customs controlled areas adjacent to international ports or airports.

Government is improving capacity to plan, procure, manage and monitor projects, as well as working more closely with the private sector at various stages of the project development cycle. Building technical capacity in the public sector is a multi-year effort, and initiatives to strengthen these functions have expanded. The Presidential Infrastructure Coordinating Committee (PICC) has concentrated its efforts over the past year on improved planning and decision processes.

**4.2. Consideration of Report of the Committee on Public Accounts (SCOPA)**

SCOPA reported that for the past three years it has not considered any annual report of the Department of Human Settlements including 2012/13 financial year.

**5. Consideration of other sources of information**

**5.1 The State-of-the-Nation Address (SONA)**

The 2013 State of the Nation Address highlighted the following key strategic objectives pertaining to the department of human settlements:

·         An amount of R47 billion committed for the renewable energy programmes;

·         An amount of R800 million (green economy fund) that was established in 2012;

·         In his State of the Nation Address 2011, President Jacob Zuma had announced the establishment of the fund of the Financial Link Individual Subsidy Programme (FLISP) earmarked for gap market;

·         Housing programme that is geared towards assisting Mine Workers living in mining areas;

·         Redressing the past apartheid spatial settlements planning and the need to develop National Integrated Urban Development Framework;

·         Provision of renewable energy (solar electricity) and solar geysers to all low cost houses (a target of 1 million geysers to be provided by 2014-2015);

·         The need to improve infrastructure (water, roads, and electricity infrastructure).

**Department’s response to SONA**

The department is responding positively to the pronouncements made by President Zuma in his 2013 State of the Nations Address. One of the key issues is the project that is geared towards Human Settlements developments in mining towns. An Inter Ministerial Committee has already been established to ensure and monitor plans and resources to address service delivery in mining town. This demonstrates a positive approach to this programme.

In the current financial year, the department had allocated around 10% from the HSDG to Rustenburg - an amount of about R181 million - for all the projects that were underway. The department has drafted a framework to indicate to municipalities’ roles and responsibilities. Municipalities were informed of the interventions of the Special Presidential Package (also referred to as the Mining Towns’ Project).

The anticipated outcomes for the Special Presidential Package were around integrated human settlements in mining towns. A strategy to formulate the human settlements implementation plan was achieved, and an amount of R1.1 billion budget approval had been received. The housing programmes that the department planned to deliver in the towns were amongst others, the incremental housing programme such as informal settlements upgrading and the social & rental programme.

Additional funding was requested for the upgrade of informal settlements from National Treasury and R1.1 billion was approved for Phase 1 of the mining towns for 2014/15. The money would be divided among the nine mining towns. The implementation plan was crucial as it was wherein municipalities had to indicate how they would spend. However, the department reported a pending under-spending by the Rustenburg municipality as it is reflected on the first quarter expenditure report.

**5.2. National Development Plan (NDP) perspective on transforming Human Settlements**

The National Development Plan has been adopted by Government in 2012. The objectives of the National Development Plan include, among others, to develop strong and efficient spatial planning system that is well integrated across the spheres of government; upgrade all informal settlements on suitable well located land by 2030; more people living closer to their places of work; better quality public transport and more jobs in or close top dense urban township.

The Department of Human Settlements has been directed to undertake the following actions to meet the objectives that were set in the NDP:

·         Conduct a comprehensive review of the grant and subsidy regime for housing with a view to ensure diversity in product and finance option that would allow for more household choice and greater spatial mix and flexibility.  This should include a focused strategy on the housing gap market, involving banks, subsidies and employer housing scheme.

·         Provide incentive for citizen activity for local planning and development of spatial compact.

·         Introduce mechanism that would make land market work more effectively for the poor and support rural and urban livelihoods.

·         Develop a strategy for densification of cities and resources allocation to promote better located housing and settlements.

·         Introduce spatial development framework and norms, including improving the balance between location of jobs and people.

·         National spatial restructuring fund, integrating defusing funding.

·         Establish a national observatory for spatial data and analysis.

·         Reforms to the current planning system for improved coordination.

·         Substantial investment to ensure safe, reliable and affordable public transport.

**5.3. Reports of the Auditor-General of South Africa**

The Department of Human Settlements has received an unqualified Audit opinion with the following findings:

·         The department has disclosed an amount of R22 413 000 for invoices received from the Department of Public Works (DPW) for office accommodation. The department does not occupy the building; the ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

·         The department has materially under-spent the budget on Programme 4 (sub programme Rural Household Infrastructure Grant) to the amount of R135 059 000 on a total adjusted budget of R340 625 000. Of the amount spent, R126 011 000 related to payments made in the last month. As a consequence, the department has not achieved certain of its objectives to provide sanitation services to the rural communities.

·         Treasury Regulation 5.2.4 requires that the annual performance plan should form the basis for the annual report, thus requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 38% of the reported indicators and targets are not consistent or not complete with the indicators and targets as per the approved annual performance plan. This was due to management’s lack of understanding of their reporting requirements during the strategic planning phase. There was also no monitoring of the completeness of the reporting of the annual performance report.

·         A total of 25% of indicators did not relate logically and directly to an aspect of the institution’s mandate and realisation of strategic goals and objectives as per the three-year strategic plan. This was due to the lack of development and implementation of proper performance planning and management practices to provide for the development of performance indicators and targets included in the annual performance plan.

·         Significantly important targets with respect to Programme 2 (Human Settlements Delivery Frameworks) are not reliable when compared to the source information or evidence provided. This was due to the lack of monitoring of the completeness of source documentation in support of actual achievements.

·         Of the total number of 146 targets planned for the year, 68 of targets were not achieved during the year under review. This represents 47% of total planned targets that were not achieved during the year under review.

·         A business plan for utilisation of the Human Settlements Development Grant allocation made to all nine provinces was not approved prior to the start of the financial year, as required by section 10(1)(a) of the DoRA.

·         Funded vacant posts were not filled within 12 months as required by Public Service Regulation 1/VII/C.1A.2.

The National Home Builders Regulatory Council (NHBRC) had improved its financial opinion, from last year’s qualification. The rest of the portfolio had remained the same except for Thubelisha and Servcon.  In the Human Settlements portfolio, only the department and the NHBRC had been audited by the Office of the Auditor-General.  It was reported that the Department had improved on reliability, but had encountered pitfalls.

The Office of the Auditor-General reported that department some of the targets reported were lacking supportive documents. The department had consequently reported on things it could not get information on from the entities and provincial departments. This had contributed to the department obtaining a qualification on reliability of information.

Expenditure management had been a challenge at the department. It had also been challenged by the lack of oversight from leadership to ensure that financial performance and operations at entities occurs without hiccups.  Annually, departments and entities compiled action plans, but often these did not comprehensively address the findings. These action plans were implemented quite late in the financial year, thereby resulting in the same findings recurring. The department had an action plan, but it was not addressing the issues that it should have addressed. The Office of the Auditor-General had previously requested that the department brief the Committee quarterly on progress and implementation of the action plan. The department and entities were advise3d to submit monthly statements but did not comply.

A number of changes had taken place over the past financial year. However, a concerning matter was the fact that an audit executive had been acting for six months at the department. The challenge with appointing people in an acting capacity was that positions still remained vacant. In achieving targets, entities required resources and personnel. There should be a clear link between the targets and where the money was being spent. This was the reason the AG emphasised a strategic plan should be clearly linked to the budget, as well as to the human resources plan. There had to be a very clear connection between the amount of money required to meet targets and the kind of skills that a department required.

**5.4. Report of the Financial and Fiscal Commission (FFC)**

The financial and Fiscal Commission (FFC) highlighted a number of issues emanating from the Annual Report 2012/13 of the Department of Human Settlements.  The FFC stated that the National Budget Allocations of the department has increased from R22, 5 billion (2011/12) to R25, 1 billion (2012/13) which represents the real increase of 8%. It was further stated that there has been an increase in the budget over the years. However, the increase in the budget allocation is not aligned to the delivery on the ground. In fact, the FFC stated that the delivery in units is decreasing contrary to the increase in budget. The following graph illustrates the above.

(Source: FFC 2013)

The FFC reported that the department expenditure trends from 2009/10 to 2012/13 were at 98% average spending performance.  In 2012/13 financial year the performance was poor due to poor performance of RHIG and the Human Settlement Development Grant (HSDG) where the Department terminated the transferring of the grant to Eastern Cape and Limpopo provinces.  The programme four (4) revealed good performance, however the Eastern Cape and Limpopo had poorly performed on the RHIG and HSDG.  The concerns were also raised in programme 1, 2, 3, and 5.  The non-filling of vacant post and the delayed invoicing of the SIU were the main contributors.  It was reported that according to the Annual Report 2012/13, the overall targets attained was 63%.  The FFC was concerned about housing units leveraged by the National Housing Finance Corporation where only 25% targets have been reached.

The FFC, on the 18 October 2013, will table a proposed funding model framework on conditional grants that it has developed. The Committee expressed its interest in getting a briefing on this funding model. The FC also confirmed that the HSDG performance which resulted in the halting or withdrawal of funding in the Limpopo and Eastern Cape was also highlighted as it might have resulted in the lower budget expenditure. The non-filling of vacant post was also highlighted as a huge challenge that has been recurring even in the previous financial years.

It was stated that the HDA has surpassed or exceeded by far (359%), its delivery targets of sourcing suitable land for Human Settlements development. The FFC has recommended that the HDA should look into revisiting its delivery targets with a view to increase its target of 6 250. This came as the committee has stated that the land question is still a thorny issue and HDA should continue with its work of identifying suitable land for Human Settlements development. The committee stated however, that the land that has been identified by the HDA should be visible and the committee be briefed as to where these land parcels are and what has been done on them.

Amongst the number of issues that were raised, the Portfolio Committee expressed its reservations about the suggestion made by the FFC that the Urban Settlements Development Grant (USDG) should be transferred directly from the National Treasury to the Metropolitan Municipalities. A concern was raised that the Metros do not comply with the USDG framework. It has been established that the Grant is being spent on issues such as cemeteries, parks, sports facilities and these facilities fall outside of the scope of the USDG. The committee has stated that the issue of extending the USDG to secondary cities should be considered. These are towns that are growing at a faster rate, particularly the mining towns where people flock to in search for employment opportunities.

FFC reported that the Minister of Finance has appointed a reference group comprising of COGTA, FFC, National Treasury, SALGA, StatsSA and DPME to scrutinise the current grant frameworks system and make recommendations to the Minister on possible review of the funding frameworks and on how they could be improved.

**5.5. Report of the Public Service Commission**

The PSC gave a report on the Annual Performance of the Department of Human Settlements. The department has received unqualified Audit opinion with findings. The PSC outlined the findings by the Auditor General that:

·         The department has received invoices amounting to R22, 4 million for office accommodation. The offices are not occupied.

·         The department has materially under-spent on RHIG, less than 50%.

·         The spending was not within the generally accepted margin of 2% set by National Treasury.

·         Almost the entire budget was spent, however, the achievement of pre-determined objectives were fairly low and declined significantly from the previous financial year.

·         Adequate and reliable collaborating evidence could not be provided for all major variances.

·         38% of the reported indicators and targets are not consistent with those in the approved annual performance plan.

The PSC also outlined issues of accountability, governance and transparency as highlighted by the AG. It was stated that the Executive Authorities and Heads of Departments should visibly support performance management processes and ensure that this cascades down to other levels in the Senior Management level.  It was further stated that all members of the Senior Management level are required to disclose the particulars of all their registrable interests such as companies and properties.

The Committee enquired as to whether the PSC has got the powers of enforcement if public management rules are not adhered to. It was further enquired as to why the department has got so many Economists (48) and if the department has got the strategy for Risk Management. The PSC stated that it is not an enforcing authority and the PSC Act should have a provision that gives the institution the power of enforcement where rules are not adhered to.

The PSC raised a concern that some Executive Authorities (EA) do not respond within the prescribed time when disclosures are to be made. However, all those EAs who did not comply were called before the Portfolio Committee on Public Administration and are since complying with the rules of the disclosures.  It was stated that all Government Departments should establish Ethics Offices that will assist with combating possible flouting Public Administration rules and including the curbing of corruption. There was slow progress in disciplinary matters.

**6. Contribution of the Department to the five key government priorities**

**6.1. Provision of quality education**

The Scholarship Programme is an initiative by the National Department of Human Settlements to award scholarships to students to study Human Settlements related courses with the aim of increasing the number of skilled professionals in the sector. The aim of the programme is to assist exceptionally performing financially needy students to pursue their studies.  Due to financial constraints the department did not have intakes for 2012 and 2013.  A total of 256 scholarships have been provided since 2009 to date at a total expenditure of R41 million.

The degrees and diplomas range from Architecture, architectural technology, building survey, civil surveying, construction management, construction science, landscape architecture, landscape technology, land surveying, town and regional planning, land and rural science.

The department has awarded bursaries to 258 employees from 2008-2012 the total amount spent on bursaries is R 946 162 48. Ninety four interns were employed from 2008-2012 the total amount spent on their stipend is R 4 684 751 44.

The department has launched a Chair for Education in Human Settlements Development and Management programme in partnership with the Nelson Mandela Metropolitan University. The purpose of the Chair is to make a significant contribution to the education and training of undergraduate students in the new Bachelors Degree in Human Settlements Development. This will ensure that graduates who enter the profession understand the key issues and debates in the sector and are competent to implement policies and solutions. Through research, the Chair will also aim to provide answers to some of the most pressing challenges in the housing and human settlements practices.

**6.2 Job creation**

For the period under review, the Department has created job in the construction sector. In some cases permanent jobs were created in the government institutions due to additional or capitalization funding. Some of these jobs are directly linked to the respective grants that results in the formation of the Human Settlements Unit in a Municipalities. Between 2009 and September 2013 DHS delivered 242 406 serviced stands and 559 926 completed units.  This translates to 279 194 jobs opportunities (149 110 direct jobs and 130 084 indirect and induced). This means that about 55 sustained jobs were created per annum.

**6.3 Fight against crime**

The establishment of the Departmental unit fraud and corruption Directorate with the mandate to investigate analyse and assess patterns on fraud and corruption I n the Human Settlements value chain has produced the following results. It however is important to note that, the statistics below were a reflection of work done with an added advantage to stop would be criminals.  In the year 2012/13 the following are recorded successes:

* Arrests: 84
* Convictions: 46
* Court Postponements: 49
* Disciplinary  Cases: 5

**7. Committee Oversight**

**7.1Oversight visit to North West Province**

**The Committee’s key findings and recommendations:**

The Committee undertook an oversight visit to the North West Province from the 17 to 22 June 2012 and made key findings and recommendations.

Following the visit to the Province, the committee has received a report on the progress made by the province in respect of the recommendations made. The Committee is delighted to present a progress report to that effect:

**The process of winding down the North West Housing Corporation.**

The provincial department had met with relevant municipalities in an attempt to confirm the properties in question. Discrepancies had been identified and raised by the Phokwane Municipality with regards to the properties. The province could not finalise all the issues. A technical team and conveyancers were in Pampierstad to resolve the issue in order to fast track the transfer of the old stock.

The asset register had been divided into three categories: debtors (there were 1153 assets in this category and were bought using money from the Public Investment Corporation (PIC), investment portfolio of properties (there were over 4000 of these properties that belonged corporation, but there was no proof of signed offers to purchase or lease agreements. The contingency team would have to regularise these agreements in relation to the properties) and the inventory portfolio (this consisted of 1695 properties that were mainly vacant stands.

The intention is to collect all outstanding revenue for the corporation and dispose them to the provincial exchequer account. Furthermore, the intention is to conclude investigations into alleged irregularities. However, the process followed, requires verification of the vacant stands that could be utilised by the provincial department of human settlements. If they were found not suitable for human settlements the land would be disposed of at market value with earnings taken to the provincial fiscus).

Mr Nono Moloyi, the NW MEC for Human Settlements, indicated that the Provincial Executive approved the contingency plan on 2 October 2013. He clarified that when it came to the irregularities there was a team that comprised the NPA, the Hawks, and departmental officials to deal with the matters. Once the audit had been completed they would start with the processes.  A provisional document had been availed by the AG in this regard for initial investigations.

**Progress in addressing sanitation challenges**

The province has utilised its Human Settlements Development Grant (HSDG) to address sanitation matters. However, the province reported that with regard to the RHIG allocation to the province, the national DHS should take responsibility. Such funds were earmarked for the NW, but were controlled nationally. The national Department appointed service providers and contractors; last time the DHS indicated it had appointed Mvula Trust and the IDT. The province did not have any say except to indicate that it ought to be involved in the planning of human settlement projects in the province.

**Title deeds**

The province embarked on an intensified programme all over the province to issue title deeds. Out of 210 000 title deeds, only 91 000 had not been issued. The programme was still ongoing, and the provincial department intended to finish off the backlog in this financial year and, if not, at least record 80% achievement by year-end.

**Addressing issues of quality**

The NHBRC had been engaged on the matter of the 405 houses in Naledi Municipality due for rectification; the entity had already assessed the affected houses and costed them. But the province could not move since the matter was still sub-judice. The SIU had been involved on the matter and were investigating the company that built the houses. But also that the houses were illegally occupied in 2009; the municipality had attained a court order to evict. The NHBRC could not go ahead with rectification until these issues were resolved, and the contractor had to bear the cost. The provincial department would not incur any cost.

**Partnership between the Department and Mining companies**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Mining houses** | **Type of agreement** | **Project details** | **Nature of contribution by the mine** | **Construction by the Department** |
| Anglo Platinum | MOU | Bokamoso 800 BNG | Serviced Land | Top structure funding |
| Hernic Ferrochro | MOU | Integrated Dev 500, FLISP 200, and 1000 BNG | Purchase of service land & top up of services | Top structure |
| Anglo Platinum | MOU | Seraleng 800 FLISP | Serviced land | Top structure |
| Lonmin | Deeds of donation (being negotiated) | 860 Serviced sites with additional 1700 not serviced and other portions in Mooinooi | Serviced land | Top structure |

Source: Department of Human Settlements (2013), North West

The Department of Human Settlements in North West has formed partnerships with mining companies in the province. There is significant development in the housing developments because of such partnerships. For example, the mining company Lonmin made 860 serviced sites available, and an additional 1 700 have been earmarked for future developments.

**Challenges of electricity particularly in Sunny way**

The area of Sunny way has been earmarked as one of the provincial flagship projects and it is envisaged for three different housing typologies, i.e. Community Residential Units, BNG, and FLISP. However, the have two challenges of: additional substation to cater for power supply. The DMR has intervened and Eskom has committed to providing the substation. Secondly, sewer connection – the municipality has agreed to have a sewer plant constructed on-site to cater for developments.

**The informal settlements upgrading programme**

As part of the Millennium Development Goal, the North West also contributes towards the upgrading of 400 000 units. During the MTEF period, the Province is targeting to upgrade 28 840 units within informal settlements with a total delivery of 24 876 to date.

**Disaster affected areas**

During 2012/13 financial year, the province has delivered a total of 398 units that were affected by disaster. The regions that were affected are Dr Ruth Segomotsi Mompati and Ngaka Modiri Molema, and Kenneth Kaunda districts. A total budget allocated is R49,1 million.

**Responding to issues of Informal Settlements**

In Naledi Local Municipality, a contractor was appointed to construct 1 000 housing units and 411 housing units have been completed.

**In Rooigrond**

·         It was established that the Rooigrond land parcel belonged to DPW.

·         The development/transfer of the Rooigrond land to Mafikeng Local Municipality for housing development was subsequently done through the HAD.

·         A due diligence exercise has been completed by HAD.

·         DPW to be pursued by HDA to issue a land audit and a development right to the municipality are needed. Without these, the department faces a barrier to implement the project. The construction of 1000 housing units is envisaged.

·         The procurement processes are underway for the transfer of the contractor on site to start with remedial works in Reagile and Borolelo Townships. The project is anticipated to be completed in the current financial year.

**7.2 Oversight visit to Eastern Cape Province**

**The Committee visited the province and observed the following:**

The Committee oversight visit to the Eastern Cape took place from 29 July to 3 August 2012.

**Port St John’s Municipality**

Port St John’s is a tourist destination, located in close proximity to three beaches. It is well known as a deep sea fishing and shore angling destination. Unfortunately, over recent years, the number of tourists visiting the area dropped. This impacted negatively on the economic viability of Port St John’s. Rebuilding the tourism industry would require an integrated approach, and calls on the commitment of various government departments and the private sector.

The Port St John’s area has significant potential for development. This requires a multi faceted approach and joint interaction between the Committees of Human Settlement and Tourism. Attracting more tourists would boost the economy.

The subsidy quantum was not sufficient in some areas to fund the construction of houses.  In some areas of Port St Johns the geographical traits and coastal characteristics of the terrain makes it difficult and therefore more expensive to construct housing units.

The National Department of Human Settlements should collaborate with other departments such as the Department of Public Works that could assist with the construction of access roads.  The local and district municipality should use their own housing inspectorates ensure that housing regulations are adhered to and poor workmanship is minimised.

The provincial department of Human Settlements planned to provide toilets and to rectify the low quality housing units that were constructed in Maheng in the following financial year (2013/14).  The rectification of 321 houses in Mtwabane was going to start soon as it was in procurement stages.  It was further indicated that the Southern Cape Condensation Allowance (SCCCA) was not applicable to the municipality.

**Mhlontlo Municipality project profile**

Two projects were awaiting the finalisation of rectification assessment reports, namely Tsolo with 424 units and Qumbu with 504 units.  The contractor was appointed for rectification and was busy with the establishment of the site. The rectification project was planned for the 2012/13 financial year. There were also new projects, namely Lotana with 300 units and Chulunca with 300 units. Geotechnical studies and foundation designs were done for both projects. Both projects were enrolled with the National Home Builders Registration Council (NHBRC). Approximately R28 million was set aside for the projects. Proposed future projects were Tsolo Junction and Langeni Informal Settlement Upgrading Programmes.

**Nyandeni local municipality project profile**

Three projects were running: Ngqeleni with 420 units, Mampondomiseni with 300 units and Mhlanganisweni with 350 units. The Ngqeleni project was approved in 1998, and the Nyandeni local municipality was the developer.  One hundred and twenty nine units were completed and 32 units were at various stages of completion.

The Mampondomiseni project was divided into two phases due to difficulties experienced with the terrain. Two contractors were appointed as developers, namely BNN Construction and Abaphumeleli Construction. One 107 were completed. One 103 units were at various stages of completion and 90 units were not yet started.

It was further stated that the provincial department should consider an additional budget as some areas had challenges related to the rocky terrain. The region was advised that it should encourage companies to invest in areas where they built houses. The delegation appreciated the use of alternative technology in the district.

**Ngquza Hill**

The municipality reported that it did not under-spend on its budget. The municipality had a challenge of not meeting its obligations due to being underfunded. The municipality had a backlog in respect of infrastructure, access roads and community halls and had no access to clean running water.

The issuing of title deeds was also a challenge with 238 out of 531 beneficiaries having received title deeds to their housing units. In Joe Slovo toilets were built inside the houses but there were no water connections.

**King Sabata Dalindyebo (KSD) municipality**

The municipality had “Breaking New Ground” projects that were implemented in Mthatha West; specifically, the informal settlements of Mandela, Hani, Slovo, Phola and Ngangelizwe were to be upgraded.  Various green field projects were underway.  The use of alternative building technology for housing units was showcased in Ngengelizwe where 200 units were constructed.  Multipurpose community centres were constructed in Mqanduli and Ngangelizwe.

The municipality was experiencing land challenges to develop houses.  Some of the land in Mthatha was being processed for land claims that took long to process.  The other available land (both government and private) was costly, whilst other parcels of land were invaded and informal settlements were being established.  The other challenge for the municipality was unavailability of rental stock. This was a lost opportunity to tackle housing backlogs initiate much needed urban development.

With regards to land challenges the municipality conducted land audits to determine the needs and will engage with the Housing Development Agency to start processes to ensure that land become accessible for future house construction projects.  Suitable land was identified for rental stock but required to be purchased first.  The municipality was building its capacity in the area of the management of needs register in preparation for the accreditation process which was to be conducted.

**DBSA project in Elliotdale**

The project started with 200 and was aimed at constructing 1 000 units under the People’s Housing Process programme.  The first 200 housing units were of good quality even though there were no ventilators and no ceiling and aprons. Beneficiaries could choose from four typologies, namely gable, L-sharp, eight (8) corners and rectangular.  The project was provided with Ventilated Pit Latrines (VPLs) and Jojo tanks which made it possible to harvest 2 500 litres of water.  There was a need to construct sinks inside the units to enable people to wash their hands.  The beneficiaries were happy with the project.

**Barkley East**

The project would cater for 802 units, 797 were currently being built and 5 units were outstanding. The challenge was the leaking roofs during raining season. The Department stated that the problem was being attended to. It was stated that the area did not have electricity. The district municipality funds the project. It should be noted that bulk-infrastructure was initiated in 2009. It was a serious concern that it remained incomplete.

**7.3 Oversight visit to the Northern Cape Province**

The province was spending their budget exceptionally well. It received an unqualified audit opinion from the Auditor-General’s Office for the 2011/12 financial year.

However, the funding model policy based on the Census results hit the province very hard.  The housing demand was very high and the area is very rocky. The soil on parts of the areas was notoriously unstable, particularly during heavy rains. This leads to ground shifting that caused buildings to crack, and move with the areas of Barkley West and Namaqua District having experienced sinkholes.

The  change in policy, where  accredited  district  municipalities (DMs)  no  longer  receive  their MIG funding, creates a challenge as the DMs were no longer able to provide  support   to local municipalities. This  had  resulted  in the  Frances  Baard DM losing  three (3)  building  inspectors  in  period of  two  months.

The Lerato Park project was a benchmark project of integrated human settlement in the province. This was the case even though some departments were unsuccessful in erecting important amenities like schools and clinics. The project was earmarked for densification and 491 units would be built in the first phase, with 320 units being completed.

It was a cause of concern that the Saldahna Corridor was not included in the mining towns projects.

The Frances Baard District Municipality  had  been playing  a  critical    support  role  in some municipalities  such  as Marareng where it installed  meter  readings  to  improve the billing system. It was also was busy with the upgrading of the Water Treatment Plant. An independent study was conducted to assess the status of bulk infrastructure. It confirmed that it was stable and that there was sufficient water. Only Marareng requires attention.

In Khathu, there was a huge migration problem, which brought a burden to the municipality, in Sesheng township services are strained.  Property and rental prices are escalating and people cannot afford.  Although, the municipality is busy upgrading the Water Treatment Plant, but is also encountering challenges from Sedibeng Water Board (water is too costly)

Debeng Oxidation  ponds  have  been  upgraded  to  address  bulk  infrastructure challenges  and  upgrading of informal  settlements, for  Oliphants Hoek, but water remains  a  challenge , as  the  municipality  is  dependent  mostly  on  boreholes, which  become  dry during  drought  periods.

Dingleton: Small  rural  town, owned  by  mines,  the  community  is  faced with  critical health  challenges because  when  Kumba  blasts, it  affects  them.  However, there are engagements taking place between government and the mines, but the process has taken too long (since year 2000 to date it has not been finalised).

Namakhoi  LM:  The  pace of housing delivery has been quite slow,  and  there is huge backlog. However, there were projects underway e.g. Matjieskloof, but there is challenge of electricity. A Chief Financial Officer has been appointed in May 2012 and the municipality is in the process of drafting a new organisational structure during the year under review. Sedibeng Water was raised as a challenge. Reservoirs have  not been  working adequately, and only  one  pipe reticulated  to  bring  water  from Orange River  to the community,  however national government  intervened  and allocated funds  to  upgrade pipelines.

Sanitation: Water borne system is used, but where there is no water a VIP system is used, although the plan is to finally provide a water borne system.

Sol Plaatjie: The municipality has a budget of R1,3 billion. It was stated that the municipality is supposed to do IDP for five year period, but the budget is only for three years. The municipality has applied for accreditation in 2006 and was only assessed in 2009. In 2009, the municipality was assessed for level 1 and 2 accreditation.

Gasegonyana: the area consists of four villages with challenges of land invasion. The matter of evictions has taken too long to resolve and some people have already built their own houses. The municipality is constructing a new reservoir in Mathibestad that will supply the area with water. The area in mainly rural and people used to construct mud-houses, most of these houses are falling apart, and the municipality is replacing them with subsidised housing. The province indicated that it is assisting the municipality with technical support. The area has got 14 mining industries and it has been indicated that the municipality is engaging the mining managers around issues of employing people from around the district. The municipality received qualified audit report but signs of improvement in the coming financial year are already visible. The Province indicated that it has embarked on operation clean audit where all the underperforming municipalities will be offered support in order to improve on their performance.

Z.F Mgcawu district: the district was formally known as Siyanda. It is located between Namibia and Botswana borders. In Khara Hais, there is currently a housing development project taking place with a budget of R78 million. There is a challenge of influx of people from other areas who seek employment. The municipality has got more than four informal settlements and is currently busy with the NUSP programme. A mining project consisting of 212 housing units is currently underway.  The rental housing scheme is at a second phase with the allocation of R500 million. The municipality has got an agreement with the mines in Boichoko to build houses for mining employees. There is a sanitation challenges in the informal settlements. The district has successfully held their IGR that seeks to address issues of water and sanitation.

Generally, the following challenges have been constantly been listed: issue of beneficiary list management, sale of houses, unacceptability of VIP toilets, dishonouring of contractual obligations  by contractors, bucket system in other areas and MIG  underutilization  an under-spending, vacant critical posts, lack of IGR  and political squabbles in some areas  resulting in service delivery being compromised. Title deeds issue is also a challenge.

**7.4 Oversight visit in the Western Cape Province**

The Portfolio Committee undertook Oversight visit to Western Cape Province (15th to 20th September 2013, focusing on the West Coast Region and the City of Cape Town.  However,  the  committee  could  not  complete its  site  visits   plan due  to  extreme  weather  conditions.  The Western Cape Department of Human Settlements briefed the committee about the developments in the Human Settlements fraternity in the Province. The provincial department has formed a partnership with the three universities in the province (Stellenbosch, University of the Western Cape, as well the University of Cape Town) in carrying out research and innovation within the sector.

Based on the challenges that were identified, people rejecting services such as toilet in their communities, the province indicated that consumer education is needed and would require the National Department to assist on this issue.

Housing Consumer Education has been prioritised. This will assist to create awareness amongst the beneficiaries about the importance of owning a house. Waiting list in some municipalities was non-existent but the province has since intervened. In 2010, the province conducted investigations around the issues of housing allocations. Corrective measures have been put in place. There is also a concern about the inaccessibility of FLISP; it is not well marketed to the intended recipients.  The province has appointed. a professional  resource  team to support  municipalities  to  deliver   and support PHP  in 2012,  comprised  of  Town Planners and Engineers.

The province indicated that PHP projects are mainly carried out by emerging contractors and they are prioritised for such projects.

The City of Cape Town informed the committee that it came up with portable flush toilets. These toilets are deemed to be much better that VIP toilets which sometimes get full and people cannot proceed to use them in that state.

In its plan of upgrading informal settlements during the current financial year, the province indicated that it intends to relocate a certain number of families so that housing developments could take place. The areas identified for relocations are Penhill in Kuils River which can take about 20 000 families; Forest village in Blue Downs; and Blue Berry Hills. In total those sites can take up to 26 000 families. All these pieces of land are strategically located.

In Matzikama: the municipality has appointed engineers to assist with technical skills. The municipality was assisted by the province in finalising its business plans and this has resulted in the finalisation of a five year housing project that is currently underway.

Ludzville has got 155 units that are currently underway. However, there is a challenge of services. The district is the supplier of electricity. There is housing deliver challenges particularly in the farming areas.

It has been indicated that in the newly built houses, title deeds are issued immediately. A concern was raised that, ASLA, a service provider, seem to have taken a monopoly in all the projects across the province. The emerging contractors should also be given a space to operate. A ward councillor in Vredendal in Ward 8 raised a concern that the ward is still using bucket system and some toilets are in a state of disarray.

In Saldanha: The area encountered a challenge of the eruption of informal settlements around 1995. This is because people were flocking in the area in search for employment. The municipality has got a backlog of title deeds estimated at 1035. It was stated that title deeds cannot be awarded if a beneficiary is in arrears in payments of municipal services. This issue did not jell-well with the committee and it was indicated that these are subsidised houses and the issue needs an urgent and special attention. It was indicated that land is sea sensitive and there’s generally a challenge of the availability of land. The municipality is identifying land from within to avoid escalating prices of land.

Some municipalities had plans to provide houses to their communities but still had challenges with provision of basic services such as water and sanitation. Some had challenges with regard to the provision of electricity and others had challenges of inaccessible roads.

It was noted that in some municipalities were still using bucket system. The other challenge municipalities faced was the non-availability of land on which houses could be built.

**8. The response to the 2012/13 BRRR by the Department of Monitoring and Evaluation**

As stated in the introduction of this report, the sanitation function was transferred to the Department of Human Settlements. The Minister of Human Settlements led the inter-ministerial framework and a protocol and implementation plan for priority projects were developed.

The Portfolio Committee welcomed the developments that a water and sanitation Inter-Ministerial Committee (IMC) comprising of Department of Water, Department of Cooperative Governance and Department of Human Settlements Ministries was established and a Memorandum of Understanding (MoU) was jointly signed. The Department of Human Settlements provided coordination and secretariat support to the Inter-Ministerial Committee as sanitation was its core mandate. However, the response to 2012/13 BRRR from the Department of Monitoring, Performance and Evaluation (DPME) was contrary to the Presidential proclamation. This was because the President did not proclaim it as stated in the response. The Portfolio Committee received a briefing referred to in the response. The Committee expressed its reservation on that recommendation. Unfortunately the matter was never finalised. It should also be noted that when the President makes a proclamation, such proclamation becomes a policy statement.

**9. The Committee’s key findings**

Having considered the Annual Report presented by the Department of Human Settlements, the Committee presents its findings on areas of success and those that need special attention to improve the department’s performance.

There had been a significant improvement in the overall performance of the department. However, a more concerted effort to focus on key areas indicated in the report was required. By addressing these critical areas, the department would be in a better position to yield improved results on its performance.

**9.1 Regulatory and Policy related matters**

·         On quality assurance: Compared to previous years, the registration and enrolment of projects and housing units had improved significantly. This led to a reduction of unnecessary stress on the national fiscus, as the NHBRC would incur the cost of rectifying poorly constructed houses.

·         The promulgation of the Housing Development Agency Act was yielding good results in addressing land challenges in the human settlements sector. However, there was room for improvement in the policy regulatory framework by the department.

·         The establishment of the Project Management Unit (PMU) which emerged after the adoption of the new turnaround strategy, led to a significant improvement in quality output. The appointment of more service providers in the rolling out of sanitation was a positive and commendable move. This proved the commitment of the department to improve performance on sanitation delivery.

·         The promulgation of the Sectional Title Scheme Management Act (No.8 of 2011) and Community Scheme Ombud Service Act (No 9 of 2011) was adding value to the human settlements sector.

·         The adoption of a Community Residential and Social Housing Policy and Promulgation of the Social Housing Regulatory Act had effectively geared the department towards the realization of integrated human settlements. The Social Housing projects that were successfully completed across the country include Jabulani in Soweto and Drommedaris in Cape Town.

·         The current government funding model posed constraints to some of the provinces, as Census data was the major determining factor used to allocate funds to provinces. The Northern Cape Province is vast in terms of its geographic space between towns.

Furthermore, the funding model did not address topographic, dolomitic and other soil conditions that caused unstable conditions for the construction of housing units. All these factors had a bearing on the total costs of construction and building materials in ensuring the quality of bulk infrastructure provision prior to building the top structure.

·         The Southern Cape Coastal Condensation Allowance (SCCCA) was applicable only to certain areas in the Western Cape even though other coastal areas suffer from the same conditions of humidity and mould formation. It may be prudent to also make it applicable to the coastal provinces of KZN and the Eastern Cape Coastal areas.

·         The contractual agreements that the Special Investigative Unit (SIU) had with the Department of Human Settlements  included, amongst others, carrying out high level investigations of fraud, corruption and maladministration. The SIU, after having completed its contractual duties, had to invoice the Department of Human Settlements for the payments to be effected. It came to the committee’s attention that the invoices took longer to be received and processed. This posed a challenge to the department’s budget expenditure because the SIU funds were not spent within the specific financial year.

·         There was a huge backlog on the registration and issuing of title deeds, particularly those that were meant for state subsidised houses. It was the intention of government to create assets and wealth when providing houses to the people. If a Title Deed was not issued, a person did not have full ownership of a house and property. Lack of a dedicated policy within the department, to determine standards and norms on processing, registration and issuing of title deeds, are viewed as one of the limitations to providing security of tenure.

·         As stated in a number of Annual reports of the department, there were recurring challenges with the services that the State Information Technology Agency (SITA) had to deliver. These affected the implementation of the department’s information technology systems. A case in point is the Housing Subsidy System (HSS) that was developed to regulate all beneficiary lists in the nine provinces. This system was not fully utilised because of the reported inability of SITA to provide resources at an adequate level to maintain the HSS as stipulated in the Service Level Agreement.

·         Secondary cities in the country were growing at an alarming rate (e.g Rustenburg). People flocked to these cities in search for employment and the higher standard of living that it offered. This was evident in other mining towns and those towns that were earmarked by the Presidential Infrastructure Coordinating Committee (PICC). These towns had huge bulk-infrastructure backblocks and they only received MIG funding which was proven to be insufficient for bulk-infrastructure development and maintenance.

·         The current scheduling (DORA) of the USDG limitation (only to Metropolitan Municipalities) did not sufficiently address the human settlements bulk infrastructure challenges. There was a need to extend the grant to secondary cities and growing mining towns.

·         A decision to change the schedule of RHIG from the initial proposal (schedule 6b) submitted to the National Treasury to (5b) was done in an ad hoc manner that is of great concern. This was evident in the departments’ report that, as municipalities were already in the second quarter of the municipal financial year, no disbursement was made on RHIG. Only eight (8) out of the selected municipalities had submitted their business plans to date. This was an indication that municipalities were not ready to receive the grant, due to on-going capacity constraints.

·         Similarly, when RHIG was introduced to human settlements, the institutional arrangements were not in place to administer the grant, which resulted in poor performance of the grant. However, the department had successfully established a dedicated unit that focused on issues related to the delivery sanitation services.

·         The fragmentation of sanitation grants was one of the key critical areas that presented constraints in addressing the current sanitation challenges by the department.

·         The withdrawal of MIG funding from the accredited District Municipalities was a cause of concern, as this impacted on the supportive role of that it had to play in addressing on-going technical capacity constraints that were experienced in local municipalities. This also compromised the capacity of these municipalities in providing bulk-infrastructure and continue to bedevil the principle of accreditation.

·         A lack of coherence between MIG and housing caused further challenges. The MIG Policy administered by COGTA directed that fifty percent (50%) of MIG had to be spent on sanitation bulk infrastructure. However, it had been established that there was a constant under-spending of MIG by some municipalities even though there are still challenges with sanitation delivery to communities. This was an indication that there was no or little adherence to the 50% allocation policy.

·         Although the department introduced a revised policy on the Implementation of Finance Linked Individual Subsidy Programme (FLISP), progress remained slow.   It was attributed to the fact that there was a number of individual recipients under the programme that had negative credit records.  This situation prejudiced a large number of people who ought to benefit from FLISP. Slow progress on the finalization of Mortgage Default Insurance (MDI) caused delays in the implementation of the programme and further compromises the intended purpose.

·         There were still challenges of compliance by the banks in the implementation of the Home Loan Mortgage Disclosure Act (HLMDA). Even though this Act was promulgated more than five years ago, banks and other development finance institutions were still reported to be reluctant to comply.

·         The Committee had established that misunderstandings existed on the interpretation around the targets set for the provision of shelter to 400 000 households versus units that were delivered. This created inconsistence in the reporting performance of the department.

·         Non-adherence to the provisions of the Prevention of Illegal Occupation (PIE) which results in land and property invasions and thus results in unintended consequences to both Government and land invaders.  Furthermore, this also has an impact on the Parliament’s oversight responsibility.

·         Non-adherence to a Pre-emptive Clause of the Housing Act also impacts on housing delivery as some of the beneficiaries sell state subsidy houses, without following appropriate channels and revert back to informal settlements.

·         Lack of a clearly defined regulatory policy on beneficiary list coordination and management including the priority criteria for most vulnerable groups, e.g. senior citizens.

·         The SONA directed a roll-out of solar water geysers. However, the Committee had established that there was a policy gap in addressing the maintenance of these geysers.

·         The Department of Human settlements has signed delivery agreements with CoGTA and the Department of Water Affairs. There is, however, still a gap in honouring such agreements.

·         There was a lack of compliance to the principles of intergovernmental elations (IGR).

·         It was also observed that there was a lack of the integration of the state subsidy houses and rental housing programme. A call was made for the three spheres of government to work together in ensuring integration and that attention to the implementation of programmes focused on delivering housing units to the gap market had to be provided for.

·         It is a cause for concern that the process of winding up Thubelisha and Servcon has taken too long to be concluded.

**9.2 Budget and expenditure**

·         There has been improvement on the audit opinion ftrom the Office of the Auditor-General with the Department receiving an unqualified report for the third year with emphasis of matter.

·         The Committee detected that there has been a substantial growth in budget allocation but a worrying decline in targets that were achieved on the ground.

·         There has been significant improvement in the budget performance and spending. However, under-spending was noted in certain programmes such as programme 1 (Administration), Programme 2 (Human Settlements Delivery Frameworks) which includes Research and Policy Programme 3 (Human Settlements Strategy and Planning and Programme 5 (Office of the Chief Financial Officer).

·         Instability in grant allocation – shifting and rescheduling of RHIG has affected the performance of the grant.

·         DoRA prescripts are not clear in terms of responding to the long standing challenge of bulk infrastructure in human settlements development. In this regard, there is inconsistency in the implementation of the framework that governs the Urban Settlements Development Grant (USDG).

·         The disaster fund – The allocation or transfer of the grant to the affected provinces was done late during that financial year under review. Therefore, most provinces could not spend their budgets.  Nonetheless, the North West province has recently reported quite a significant progress in spending the grant.

·         Noticeable under-spending by the benefiting municipalities in the mining towns programme (special programme) especially in Rustenburg, and the Bojanala District.

·         Fragmentation of sanitation funding streams: Although the Department has been delegated sanitation function, the funding dedicated to this function continues to be shared amongst a number of other departments.

·         It has been established that the department has appointed 48 economists. This is contrary to the core skills needs of the department of human settlement that urgently require built environment professionals such as engineers, quantity surveyors, and project managers.

·         There is no reference in the department’s report on the number and the costs of consultants that were utilised. Whilst, in the previous report, it was stated that the department had long contractual agreements with some of these consultants.

**9.3 Service delivery matters**

·         There has been a significant improvement on service delivery by the Department as compared to previous years. This is evident on the committee’s report on the Department’s prevailing strategic and operational plan;

·         The process of acquiring office space has taken too long to be concluded. As a result, the Department is still faced with a challenge of not filling vacancies. This is adversely affecting the operations of the Department as well as impacting on the budget;

·         There are still grey areas as articulated by the Auditor-General in his report that require urgent attention, for example, targets that are inconsistent and are not measurable;

·         Under-spending in programme 2 and 3 has an impact on policy implementation and future planning. Planning is a crucial step that outlines the objectives of the Department and if not properly executed, service delivery will continue to be adversely affected.

**10. Recommendations**

The Committee recommends that the Minister of Human Settlements should ensure that the Department:

·         Develop measures to assess the capacity of the municipalities prior to the awarding of accreditation.

·         Review the national housing code to determine norms and standards that will ensure that whenever a house is handed over to the respective beneficiary, a title deed is simultaneousely handed to the beneficiary. A progress report related to this matter should be sent to Parliament within 60 days of this report’s adoption.

·         Consider and develop action plans and a monitoring tool to address all issues raised by the chapter nine institutions, including such reports from the Office of the AG, the PSC, and the FFC on all governance and budget related issues raised and report to Parliament on quarterly basis.

·         Brief the committee on the AG’s management report and the utilization of consultants. A progress report related to this matter should be sent to Parliament within 30 days of this report’s adoption.

·         Review the National Housing Code to expand SCCCA to all provinces.

·         Brief the committee on the Mortgage Default Insurance process.

·         Fast-track the filling of vacant posts.

·         Report to the Committee on the disaster expenditure proposal.

·         Fast-track the acquiring of much needed office space. If there are continuous challenges, the Committee suggests that the matter be discussed by Cabinet or relevant sub-committees so that the Ministers of Public Works and Human Settlements could jointly intervene. A progress report related to this matter should be sent to Parliament within 30 days of this report’s adoption.

·         Report on a quarterly basis, progress on projects in mining towns and brief the committee on the national housing status of mining towns. A progress report related to this matter should be sent to Parliament within 30 days of this report’s adoption.

·         Improve its performance in the implementation of RHIG.

·         Commission the FFC to conduct a study on the discrepancy between the growth of budget allocation versus units delivered and recommend a relevant intervention strategy and policy regulation.  A progress report related to this matter should be made available by February 2014.

·         Consider and submit recommendations to the National Treasury for the review of the Division of the Revenue Bill, especially for the USDG to be extended to secondary cities, including mining towns. A progress report related to this matter should be sent to Parliament within 30 days of this report’s adoption.

·         Strengthen the Monitoring and Evaluation Unit in the Office of the DG so that the allocated budget is aligned to the construction of units on the ground.

·         Develop a comprehensive integrated human settlements policy legislative framework that will incorporate sanitation, housing cooperatives, and backyard dwellers.

·         Develop a policy that would specifically address the matter of backyard dwellers as there was no standard way of dealing with this important matter.

·         With the Housing Development Agency (HDA), should assist municipalities with land acquisition and the land audit.

·         Through MinMec, Members of the Executive Councils responsible for human settlements in each of the provinces provide a report on how much of the budget was utilised for the purchasing of land for human settlement including the size and quantity that was purchased.

·         Brief the committee on the rationale to appoint 48 economists to appoint people with technical skills such as engineers and town planners.

·         Consider extending the USDG allocations to those District Municipalities that were accredited and that were no longer receiving the MIG funding

·         Fast-track the completion of the business of Servcon and Thubelisha as well as the closure of the National Housing Fund.

**Recommendations to the Minister of Finance:**

Key findings on issues for consideration by the Minister:

(1)   On sanitation;

·         Rural sanitation remains a national priority and it has been established from the performance of the grant that Department of Human Settlements was not ready in terms of its own capacity by the time Rural Household Infrastructure Grant (RHIG) was introduced.

·         This is common with all new grants that generally need time to be fully institutionalised in the Department. Therefore, this has been the case with RHIG. However, the committee through its vigorous and robust oversight confirms that the Department has established adequate institutional systems to manage and administer the grant.

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(2)   On fragmentation of human settlement funding streams;

The committee recommends that the Minister of Finance should ensure that the National Treasury:

·         Reschedule the Rural Households Infrastructure Grant (RHIG) from a direct grant (Schedule 5B) to an indirect grant (Schedule 6B) from the 2014/15 financial year. This should, however, be done with the necessary provisions stated in the conditional grant framework to ensure that sufficient consultation takes place between the Department of Human Settlements and the respective municipalities. This would ensure that these projects are aligned to the needs of the communities as expressed in the Municipal Integrated Development Plans.

·         Should there be a need to review the grant, the committee recommends that this should take place as part of the broader review of all infrastructure grants.

(3)   Key findings on the Urban Settlements Development Grant (USDG)

A key inhibitor in the delivery of housing was the lack of bulk and connector services, and the USDG sought to address these infrastructural problems, thereby unlocking projects for the HSDG. It should achieve this through land acquisition, bulk infrastructure provision and the better alignment of priority programmes in funding sources given to national, provincial and local government. Unlike the HSDG, whose funds were distributed to the provinces, the USDG’s funds were allocated directly to the eight metros as grants, and were intended to augment their municipal capital budgets.

The committee has discovered that as part of establishing sustainable human settlements, a portion of the Urban Settlements Development Grant (USDG) was used to improve facilities such as parks, cemeteries, libraries, community halls, and other amenities. However, the question remains as to the role of other sector departments, such as the Department of Sport and Recreation, and others who are supposed to play a complementary role to the broader development of human settlements across the country.

The committee has accepted that there were densification issues within most of the metros currently, and that the USDG should be used to purchase land to provide persons living in backyard shacks the ability to gain access to housing and security tenure.

Millennium Development Goal for 2020 states clearly that to improve significantly the living conditions of 100 million slum dwellers. Where formal housing could not be provided then proper services should be provided.

Through oversight, the portfolio committee has established that there is a minimal adherence to the USDG policy framework that has been developed by the national department of human settlements. The metros maintain that the DoRA statutes allow USDG funding to be used on other developments other than on infrastructure developments.

**The committee further recommends that the Minister ensure that National Treasury:**

·         Sets clearly defined and precise specification related to the intended purpose of the USDG framework. Further, that the Minister ensures that the relevant regulatory measures are developed to ensure that the grant is utilised for its intended purposes especially in addressing challenges that emerge due to a lack of bulk infrastructure installations that human settlement desparately needs across previously disadvantaged living areas.

Alternatively:

·         Ring-fence a considerable percentage form the USDG that is geared towards providing bulk-infrastructure for Human Settlements development, as well as to address the backlog in housing and basic services to achieve outcome 8.

**Recommendation to the Minister of the Department of Monitoring and Evaluation (DPME) in the Presidency:**

The Portfolio Committee recommends that the Minister should:

·         Ensure that DPME, through relevant and stringent monitoring and evaluation exercises, facilitates the full transfer of sanitation function to the DHS as proclaimed by the President in his State of the Nation’s Address in 2010.

**10. Conclusion**

It is of paramount importance to look retrospectively, from 2009, at the delivery of sustainable human settlements. Also because the term of the fourth democratically elected Parliament is due to come to an end after the 2014 general elections, it is crucial to evaluate and assess how far we have come with the objectives we have stated.

It is evident from the Department’s performance that there is a significant improvement in service delivery. However, there are still challenges that need to be attended to if the Department is to realise its full potential. The provision of proper sanitation to restore the dignity of the communities remains a cause for concern. The Department should strengthen its strategies on sanitation if the Millennium Development Goals are to be realised by 2015.

More emphasis should be placed on the quality of units delivered. The establishment of the Project Management Unit which emerged after the adoption of the new Departmental structure should be commended. Human Settlements has been grappling with issues of shoddy work. If adequately strengthened, the PMU can bring about positive results in curbing such challenges in human settlements projects. One of the major issues that need the attention of the Department is the optimal spending on the conditional grants, particularly those that are funded through the USDG and RHIG that are geared towards the provision of bulk-infrastructure such. Also, of paramount importance to the Department’s operational performance, is the filling of vacant posts. This issue should be attended to as a matter of urgency.

The poor performance of Rural Household Infrastructure Grant (RHIG) poses a challenge, given the backlog of sanitation in rural provinces. However, shifting of this Grant to other programmes when it has not been fully utilised will not assist in alleviating the sanitation backlog. Those provinces that have not performed should be afforded enough support so that the provision of proper sanitation can be realised in all the 49 identified municipalities over the MTEF.

**11. Appreciation**

The Committee would like to appreciate the commitment demonstrated by the leadership from various spheres of government in ensuring that the committee execute its mandate effectively. In particular the cooperation by the Members of the Executive Committee from the Eastern Cape, Mpumalanga, North West, Northern Cape and Western Cape who always avail themselves before the Committee on matters pertaining to their provincial departments. In the same vein our appreciation also to the Metropolitan municipalities who always avail themselves before the committee when further clarity is sought. We further extend our thanks to the members of the committee, the Parliamentary support staff, caucuses’ staff, the Minister, the Director-General and the team, chapter nine institutions, the Department of Monitoring and Evaluation and National Treasury, and Parliament’s Standing Committee on Appropriations, for their collective commitment and time devoted to the work of the portfolio committee.

Report to be considered.

[[1]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131105pcsettlebrrr.htm#_ftnref1)Note that this is the case even though the Constitution does not refer to the bill as a money bill.