**Report of the Portfolio Committee on Human Settlements, on the 2021/22 Second Quarter Financial and Non-Financial Performance of the Department of Human Settlements, 08 June 2022.**

The Portfolio Committee on Human Settlements (the Committee), having considered the 2021/22 second quarter report on the expenditure and non-financial performance of the Department of Human Settlements (the Department), reports as follows:

1. **Introduction**

The Committee, considered the 2021/22 second quarter report of the Department on 23 February 2022. This report provides a reflection on the expenditure and non-financial performance of the Department by the end of the second quarter of the 2021/22 financial year. It also provides the Committee’s key deliberations, observations, and recommendations. Those are based on the documents presented to the Committee by the Department, the Adjusted Estimates of National Expenditure (AENE) and section 32 report published by National Treasury.

1. **An overview of the overall expenditure: Second Quarter**

The main appropriation of the Department for 2021/22 amounted to R31.65 billion. By the end of the second quarter, the Department spent R12.9 billion (40.6%) of its overall budget. Spending was R213.9 million (1.7%) lower than projected for the second quarter, as a result of lower than anticipated spending on transfers and subsidies in the Informal Settlements (Programme 3), Rental and Social Housing (Programme 4) and Affordable Housing (Programme 5) programmes.

* 1. **Expenditure and performance per program**

A brief summary per programme is provided below:

* + 1. **Programme 1 (Administration)**

Spending under this programme reached R193.8 million at the end of the second quarter, against a projection of R214.2 million. The lower than projected spending of R20.4 million (9.5%), was mainly due to reductions in the programme’s staff compliment, which decreased by 22 employees, coupled with reductions in the Department’s operational requirements and business activities, such as office supplies, advertising, travel and subsistence. The following section provides performance of Programme 1:

* **Target of 2020/21 unqualified audit opinion with no material findings.** Performance was achieved: 2020/21 unqualified audit opinion with no material findings.
* **Target of 100% compliance with statutory prescripts.** There was 60% compliance with statutory prescripts**.** Three out of five activities were complied with in terms of compliance with statutory prescripts. This Programme produced the Departmental Annual Report, Quarterly Reports, and Quarterly report on meetings serviced in the office of the Accounting Officer. However, five out of nine Parliamentary questions were responded to within two weeks’ turnaround time.Furthermore, seven out of 1 255 invoices were paid after 30 days’ turnaround time.
* **Target of 35% implementation of the approved internal audit plan.** There was 25% implementation of the approved internal audit plan.
* **Target of 100% execution of the approved anti-fraud and corruption implementation plan**.There was 100% execution of the approved anti-fraud and corruption implementation plan. All 9 Implementation Plan activities were achieved.
* **Target of 45% implementation of the approved annual ICT plan.** There was 51% implementation of the approved annual ICT plan.
* **Target of 58% implementation of the approved Risk Management Implementation Plan.** There was 47% implementation of the approved Risk Management Implementation Plan. Under performance was due to misalignment between the APP and the Risk Management Implementation Plan. Eight out of seventeen activities were achieved which translates to 47%.
* **Target of 50% implementation of the approved communication strategy.** There was 55% implementation of the approved communication strategy. In terms of the draft implementation plan, 11 out of 20 deliverables were achieved which translates to 55%.
* **Target of 100% implementation of the Annual Human Resource Implementation Plan.** There was 64% implementation of the Annual Human Resource Implementation Plan.In line with Human Resource Plan, nine out of 14 activities which were planned for quarter two were achieved which translates to 64%.
  + 1. **Programme 2 (Integrated Human Settlements Planning and Development)**

This programme spent R9.1 billion against a projection of R8.5 billion. The programme therefore spent R561.8 million (6.6%) more than projected, primarily due to higher than projected transfers from the Human Settlements Development Grant (HSDG) and the Urban Settlements Development Grant (USDG). The higher grant transfers were as a result of the alignment of monthly transfers to the latest payment schedule. The operational transfers from the Community Schemes Ombud Service (CSOS) and the Housing Development Agency (HDA) had been transferred in line with the half-year projections. The following section provides performance of Programme 2:

* **Target of 16 integrated implementation programmes for PDAs prepared.** There were 0 integrated implementation programmes for PDAs prepared. Draft development plans were prepared and the draft situational analysis of development plans were delivered. Funding hampers the development of the plans. The Department would monitor progress on the development of plans through the Spatial Planning Forum meetings.
* **Target of 10% of land acquired within the PDA’s re-zoned.** There was 0% of land acquired within the PDA’s re-zoned. Rezoning applications were submitted but the municipality requested for amendments in the application. Applications were submitted for City of Tshwane and Emfuleni Municipality.
* **Target of a 1st Draft 2022/23 National Human Settlements Development Plan developed.**  The 1st Draft 2022/23 National Human Settlements Development Plan was developed.
* **Target of Programme for Revitalization of Distressed Mining Communities implemented in 6 provinces.** The Programme for Revitalization of Distressed Mining Communities was implemented in 6 provinces. Twenty-three municipalities were supported to implement the approved business plans.
* **Target of 9 Provinces supported to eradicate the title deeds backlog.** Target was fully achieved. Support to 9 provinces to eradicate title deeds backlog was partially done. Two Programme Delivery Facilitators (PDF) for Limpopo and Mpumalanga withdrew at the beginning of last financial year.
* **Target of progress reported on 1 200 pre-1994 title deeds registered.** Progress reported on registration of 0 pre-1994 title deeds. Reported unverified delivery was 1 921.
* **Target of progress reported on 5 400 post-1994 title deeds registered.** Progress reported on registration of 0 post-1994 title deeds. Reported unverified delivery was 4 926.
* **Target of progress reported on 1 200 post-2014 title deeds registered.** Progress reported on registration of 0 post-2014 title deeds. Reported unverified delivery was 2 974.
* **Target of progress reported on 1 800 new title deeds registered.** Progress reported on registration of 0 new title deeds. Reported unverified delivery was 8.
* **Target of verified 13 101 BNG houses delivered.** There was 0 BNG houses delivered. The reported unverified preliminary figure was 11 850.
* **Target of 9 916 serviced sites completed (HSDG).** There were 0 serviced sites completed (USDG). The reported unverified preliminary figure was 9 916.
* **Target of 13 750 serviced sites delivered (USDG).** There were 0 serviced sites delivered (USDG). The reported unverified preliminary figure was 7 740.
* **Target of 35 of 50 National Priority projects implemented.** There was 35 of 50 National Priority projects were partially implemented. Provincial Steering Committee meetings and site visits were not held for all projects due to lack of capacity (personnel, especially at the HDA) to can visit all the projects during the quarter. There were other commitments to attend to.
* **Target of 100% of entities programme performance monitored**. 100% of entities programme performance was monitored. Performance on contribution by the HDA, CSOS, EAAB and NHBRC to the Integrated Human Settlements Planning and Development Programme was monitored.
* **Target of 40% of budget allocated to entities owned by the designated groups monitored.**  40% of budget allocated to entities owned by the designated group not monitored.
* **Target of 100% of projects under implementation monitored (HSDG and USDG).** 100% of projects under implementation were monitored.
* **Target of 1 quarterly assessment conducted on Human Settlements Grant (HSDG and USDG).** 1 quarterly assessment conducted on Human Settlements Grant.
* **Target of 100% implementation of the Human Settlements Capacity Assembly Programme (IHSPDP).** 0% implementation of the Human Settlements Capacity Assembly Programme (IHSPDP). There was one activity in line with the implementation plan and it was not achieved. The conclusion of the facilitation process was delayed due to unavailability of nominated Bid Evaluation Committee members to evaluate the 153 bids which were received.
  + 1. **Programme 3 (Informal Settlements)**

Under this programme, spending reached R3 billion, against a projection of R3.1 billion, with spending therefore being 2.7% lower than projected. This was ascribed to the lower than projected transfers of the Emergency Housing Grant, as these grant transfers were dependent on approved applications. The following section provides performance of the Programme 3:

* **Target of SEIAS Report: Policy on Social Facilitation developed.** SEIAS Report: Policy on Social Facilitation was not developed. Although the SEIAS draft reports were produced the SEIAS process was not yet concluded.
* **Target of SEIAS Report: Policy on Empowerment of designated groups developed.** SEIAS Report: Policy on Empowerment of designated groups was not developed. Although the SEIAS draft reports were produced the SEIAS process was not yet concluded.
* **Target of 40% of the budget allocated to entities owned by a designated group monitored.** 40% of the budget allocated to entities owned by a designated group was not monitored.There was no disaggregated data on budget allocated to entities owned by designated groups (Women, Youth and People with Disabilities.
* **Target of 100% of projects under implementation monitored (UISP).** 0% of projects under implementation monitored (UISP). No monitoring was conducted during the quarter under review as there was no expenditure incurred. The grant was transferred in July.
* **Target of UISP finalised and published a report.** UISP report was finalized, but not yet published. Publishing process for the UISP Baseline Evaluation study was not concluded because the report was completed close to the end of the quarter and would be finalised in the next quarter.
* **Target of one quarterly financial performance analysis conducted on ISUPG for Provinces**. One quarterly financial performance analysis conducted on ISUPG for Provinces.
* **Target of one quarterly financial performance analysis conducted on ISUPG**. One quarterly financial performance analysis conducted on ISUPG for Metros (UISP Component).
* **Target of 100% implementation of the UISP Capacity Assembly Programme**. There was 0% implementation of the UISP Human Settlements Capacity Assembly Programme. There was one activity in line with the implementation plan and it was not achieved. The conclusion of the facilitation process was delayed due to unavailability of nominated Bid Evaluation Committee members to evaluate the 153 bids were received.
* **Target of manage 32 informal settlements to be upgraded to Phase 3 of UISP.** Management of informal settlements was done. However, 32 informal settlements were not upgraded to Phase 3 of UISP as it takes longer than anticipated to upgrade informal settlement to Phase three of UISP.
  + 1. **Programme 4 (Rental and Social Housing)**

This Programme spent R326.3 million against the projected R476.5 million, therefore spending R150.2 million (31.5%) less than projected. This was attributed to the lower than projected transfers of the Social Housing Regulatory Authority’s (SHRA) operational transfer and consolidated capital grant. The Department transferred R35.1 million of the operational transfers, R22.7 million of the institutional investment grant, and R247.2 million of the consolidated capital grant. However, due to a discrepancy, no transfers were listed in the table of specifically appropriated items. Expenditure on these transfers were not classified in the fund segments of the Basic Accounting System and it was reported that the Department was aware of this issue and was addressing the matter. The following section provides performance of Programme 4:

* **Target of 40% of the budget allocated to entities owned by designated groups monitored.** 40% of the budget allocated to entities owned by designated group were not monitored. There was no monitoring of the 40% allocation under the Rental and Social Housing Programme due to lack of disaggregated data from SHRA on budget allocated to entities owned by designated groups (Women, Youth and People living with disabilities).
* **Target of 100% of projects under implementation monitored in the Rental Housing Programme.** 100% of projects under implementation monitored in the Rental Housing Programme.
* **Target of Literature review report on evaluation study (Rental Housing Tribunal)**. Literature review on Rental Housing Tribunal evaluation study was conducted and the report was concluded.
* **Target on 100% of entities programme performance monitored**. 100% of entities programme performance were monitored. Performance on contribution by SHRA to Rental and Social Housing Programme was monitored.
* **Target of 100% implementation of the Human Settlements Capacity Assembly Programme (Rental and Social Housing Programme)**. 0% implementation of the Human Settlements Capacity Assembly Programme (Rental and Social Housing Programme). There was one activity in line with the implementation plan and it was not achieved. The conclusion of the facilitation process was delayed due to unavailability of nominated Bid Evaluation Committee members to evaluate the 153 bids received.
  + 1. **Programme 5 (Affordable Housing)**

Spending under this Programme (Affordable Housing Programme) reached R276.8 million, against a projection of R370 million. The programme therefore spent R93.2 million (25.2%) lower than projected, primarily as a result of lower than projected transfers of the National Housing Finance Corporation’s Finance-Linked Individual Subsidy Programme (FLISP) allocation. The entity requested R60.2 million less than initially projected, as the requested amount was determined by the number of subsidy applications received by the entity throughout the first half of the year. The lower than projected spending on goods and services was primarily as a result of delays in procurement processes for the appointment of professional services to augment skills in the Capacity Building and Sector Support sub-programme. The following section provides performance of Programme 5:

* **Target of Draft policy (Affordable housing).** Draft policy partially completed (Affordable housing). A draft document submitted however, proof of SEIAS phase 1 and the policy framework were not submitted.
* **Target of Evaluation study (FLISP) finalised and published a report.** Evaluation study report was finalized, but not yet published.The publication of the study on Implementation evaluation of FLISP was not concluded since the report was completed close to the end of the quarter and it would be finalized in the following quarter.
* **Target of 100% of projects under implementation monitored in the Affordable Housing Programme.** 100% of projects under implementation was monitored in the Affordable Housing Programme.
* **Target of 100% of entities programme performance monitored**. 100% of entities programme performance were monitored. Performance on contribution by the NHFC to Affordable Housing Programme was monitored.
* **Target on first quarter performance assessments on FLISP subsidies disbursed**. First quarter performance assessments on FLISP subsidies were disbursed.
* **Target of 100% implementation of the Human Settlements Capacity Assembly Programme (Affordable Housing Programme).** 0% implementation of the Human Settlements Capacity Assembly Programme implemented (Affordable Housing Programme). There was one activity in line with the implementation plan and it was not achieved. The conclusion of the facilitation process was delayed due to unavailability of nominated Bid Evaluation Committee members to evaluate the 153 bids received.

1. **Committee observations and recommendations**

The Portfolio Committee raised the following with the Department in respect of the second quarterly report for 2021/22. The Minister is requested ensure the implementation of these recommendations by the Department:

**3.1. Observation:** That the Department had 58 vacant posts, which translates to 9.7% vacancy rate. The Committee welcomed the progress made in filling these positions. However, there was a concern that the filling of posts was taking too long.

**Recommendation:** Ensure that vacancy rate is at zero percent by fast-tracking the filling of vacant post with qualified and experienced individuals.

**3.2. Observation:** That the macro policy on affordable housing was not clearly defined. Furthermore, it was not clear what the policy was intending to achieve in a long term.

**Recommendation:** Ensure that macro policy on affordable housing is clearly defined and has long term policy goals. There should be an alignment of policy with relevant stakeholders to ensure that the end product (human settlements) provides all aspects of sustainable and integrated human settlements.

**3.3. Observation:** That there was low spending on the Informal Settlements Partnership Grant which led to delays in the implementation of informal settlements upgrading programme by municipalities.

**Recommendation:**  Ensure spending on the Informal Settlements Partnership Grant. In collaboration with Housing Development Agency (HDA), provide technical assistance to municipalities. Closely monitor the performance of municipalities in relation to the upgrading of informal settlements in order to timeously address challenges that may emerge.

**3.4. Observation:** That there was no performance in the issuing of tittle deeds programme. This was a major concern for the Committee because the Department, on several occasions, promised to provide the Committee with a detailed turnaround strategy to improve performance. However, this strategy has not been received by the Committee and performance has not improved either.

**Recommendation:** Furnish the Committee with a detailed plan or a turnaround strategy to improve the performance of the tittle deeds programme. This plan must be presented to the Committee by the first quarter of 2022/23 financial year. Thereafter, process report on quarterly bases should be provided to the Committee in order to periodically access performance.

**3.5. Observation:** That there was unsatisfactory performance in the zoning of land for the Priority Development Areas (PDAs).

**Recommendation:** Furnish the Committee with plans to improve the performance of PDAs by the first quarter of 2022/23 financial year. In collaboration with the HDA, provide assistance to municipalities in developing their plans for PDAs. Fast-track the identification and acquisition of land for human settlements.

**3.6. Observation:** That communities, such as Masiphumelele informal settlements, were suffering from disasters such as fire while the emergency housing grant was not being utilised.

**Recommendation:** Improve or shorten the process of releasing funding for emergencies. Ensure that emergencies are addressed within short period of time. Furthermore, there must be permanent solution to address disasters. This must be informed by evaluations to check what is needed at community levels to prevent or minimise the effect of disasters.

**3.7. Observation:** That the policy on fraud and corruption was often not reviewed to deal with new forms of corruption. For instance, the Committee, during it oversight visit to the Gauteng province, observed that there were several cases of fraudulent sale of government houses. Yet, no actions were taken against perpetrators.

**Recommendation:** Ensure the review of policy on fraud and corruption in order to address new forms of corruption. Present to the Committee cases of corruption that have been investigated and actions taken in cases of wrongdoing.

**3.8. Observation:** That there was a lack of coordination in planning, budgeting, and execution of housing programme.

**Recommendation:** Strengthen coordination and intergovernmental relations both vertically and horizontally. There should be a diagnostic report on why there is a lack of coordination on the human settlements sector. There must be an integrated policy and legislative framework to ensure the realignment of the use of resources and deal with structural issues. This framework must be presented to the Committee when it is completed.

**3.9. Observation:**  That there were endless litigations when houses were invaded. This was also observed by the Committee during the oversight visit to Gauteng province.

**Recommendation:** Develop measures to prevent invasion which would subsequently deal with litigations. Involve prospective beneficiaries in the housing process to prevent invasions.

**3.10. Observation:** The Committee was concerned that the performance of the Department was at 37%. At the same time, the Committee welcomed that the Department was in the process of verifying provincial performance, however there was a major concern of provincial performances.

**Recommendation:** Put in place a recovery plan to improve performance in the coming reporting cycle. Support provinces to improve their performance.

**3.11. Observation:** That in Masiphumelele informal settlements, there was a blocked project because bulk infrastructure was not provided.

**Recommendation:** Ensure the provision of bulk infrastructure before the building of houses. Ensure proper project planning and sequencing.

**3.12. Observation:** That some houses were still built far away from opportunities which led to some beneficiaries moving back to informal settlements closer to towns and cities.

**Recommendation:** Ensure that human settlements projects are integrated to opportunities closer to towns and cities.

**Report to be considered.**