**Report of the Portfolio Committee on Human Settlements, on the 2021/22 Third Quarter Financial and Non-Financial Performance of the Department of Human Settlements, 24 August 2022.**

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

1. **Introduction**

The Committee, considered the 2021/22 third quarter report of the Department on 18 May 2022. This report provides a reflection on the expenditure and non-financial performance of the Department by the end of the third 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**

The main appropriation of the Department for 2021/22 amounted to R31.66 billion, which was adjusted upwards to R31.68 billion through the adjusted appropriation. By the end of the third quarter, the Department spent R21.1 billion (66.7%) of its overall budget. Spending was R246.3 million (1.2%) lower than projected, primarily due to lower than anticipated spending on transfers and subsidies in the Informal Settlements and Affordable Housing programmes.

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

A brief summary per programme is provided below:

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

Spending under this programme reached R313.8 million against a projection of R340.4 million. The lower than projected spending of R26.6 million (7.8%) was mainly due to reductions in the Department’s operational requirements and business activities, including office supplies, advertising and travel and subsistence, as well as the staff complement, which decreased by 27 people since the start of the financial year.

* + 1. **Programme 2 (Integrated Human Settlements Planning and Development)**

This programme spent R14.6 billion against a projection of R14.2 billion. The Department spent R432.7 million (3.1%) higher than projected, primarily due to higher than projected transfers from the Human Settlements Development Grant and the Urban Settlements Development Grant. The higher transfers are due to the alignment of monthly transfers for each respective conditional grant to the latest approved payment schedule.

* + 1. **Programme 3 (Informal Settlements)**

Under this programme spending reached R5.1 billion, against a projection of R5.6 billion, with spending therefore being 9% lower than projected. This can predominantly be attributed to lower than projected transfers of the Emergency Housing Grant and the Informal Settlements Upgrading Partnership Grant, as these grant transfers are dependent on approved applications and are, despite being lower than projected, in line with the latest approved payment schedule

* + 1. **Programme 4 (Rental and Social Housing)**

This Programme spent R835.8 million against the projected R902.3 million, therefore spending R66.5 million (7.4%) less than projected. This is attributed to lower than projected transfers of the Social Housing Regulatory Authority’s (SHRA) Consolidated Capital Grant. The Department’s cumulative transfers amounted to R70.2 million for the operational transfer; R22.7 million for the institutional investment grant and R713.1 million for the consolidated capital grant by the end of the third quarter. Due to a discrepancy, these transfers are not classified in the fund segments on the Basic Accounting System.

* + 1. **Programme 5 (Affordable Housing)**

Spending under Programme reached R290.6 million against the third quarter projection of R375.5 million. The programme therefore spent R84.8 million (22.6%) less than projected, mainly due to the non-transfer of the National Housing Finance Corporation’s Finance-Linked Individual Subsidy Programme (FLISP) allocation. The entity did not submit a drawdown request as required by the Department’s internal financial management processes.

1. **Departmental Performance**

**3.1 Affordable Housing**

The following were APP targets performance under Affordable Housing:

* Target on **verified 13 102 BNG houses delivered –** 0 BNG houses delivered.
* Target on **9 916 serviced sites completed (HSDG) -**  0 serviced sites completed.
* Target on **13 750 serviced sites completed (USDG) -** 0 serviced sites completed.
* Target on **progress reported on 1 800 post-2014 title deeds registered** **-** progress report on 0 post-2014 title deeds registered.
* Target on **progress reported on 1 800 pre-1994 title deeds registered -** progress report on 0 pre-1994 title deeds registered.
* Target on **progress reported on 6 000 post-1994 title deeds registered -** progress report on 0 post-1994 title deeds registered.
* Target on **progress reported on 2 000 new title deeds registered -** progress reported on 0 new title deeds registered.
* Target on **2nd quarter performance assessments on FLISP subsidies disbursed -** one 2nd quarter performance assessments on FLISP subsidies disbursed.
* Target on **9 provinces supported to eradicate the title deed backlog -** provision of support was inadequate since only one element of the TID was addressed.
* Target on **50 National Priority projects implemented -** 50 National Priority projects partially implemented.
* Target on **programme for Revitalization of Distressed Mining Communities implemented in 6 provinces -** programme for Revitalization of Distressed Mining Communities implemented in 6 provinces.

**3.2 Chief Financial Officer**

The following were APP targets performance under Chief Financial Officer:

* Target on **100% compliance with statutory prescripts -** 50% compliance with statutory prescripts (Submission of Note 34 to Treasury).
* Target on **draft Human Settlement Grants Framework prepared -** Draft Human Settlement Grants Framework was prepared.
* Target on **one quarterly assessment conducted on Human Settlements Grant (HSDG) -** one quarterly assessment conducted on Human Settlements t Grant.
* Target on **one quarterly assessment conducted on Human Settlements Grant (USDG) -** one quarterly assessment conducted on Human Settlements Grant.
* Target on **one quarterly financial performance analysis conducted on ISUPG for Provinces -** one quarterly financial performance analysis conducted on ISUPG for Provinces.
* Target on **one quarterly financial performance analysis conducted on ISUPG for Metros -** one quarterly financial performance analysis conducted on ISUPG for Metros.

**3.3 Corporate Services**

The following were APP targets performance under Corporate Services:

* Target on **100% implementation of the Annual HR Implementation Plan** - 53% implementation of the Annual HR Implementation Plan.
* Target on **75% implementation of approved annual ICT plan -** 72% implementation of approved annual ICT plan.
* Target on **75% implementation of the approved communication strategy -** 75% implementation of the approved communication strategy.

**3.4** **Entities Oversight**

The following were APP targets performance under Entities Oversight:

* Target on **100% of entities programme performance monitored (HDA, CSOS, EAAB, NHBRC) -** 100% of entities programme performance monitored.
* Target on **100% of entities programme performance monitored (SHRA, NHFC) -** 100% of entities programme performance monitored.
* Target on **100% of entities programme performance monitored (NHFC) -** 100% of entities programme performance monitored.

**3.5 Transformation**

The following were APP targets performance under Transformation:

* Target on **40% of budget allocated to entities owned by the designated group monitored -** 40% of budget allocated to entities owned by the designated group partially monitored.

**3.6 Technical Capacity**

The following were APP targets performance under Technical Capacity:

* Target on **100% implementation of the HS Capacity programme** - 0% implementation of the HS Capacity programme.
* Target on **100% implementation of the UISP Capacity Assembly Programme -** 0% implementation of the UISP Capacity Assembly Programme.
* Target on **100% implementation of the HS Capacity Programme -** 0% implementation of the HS Capacity Programme.
* Target on **100% implementation of the Human Settlements Capacity Programme (Affordable) -** 0% implementation of the Human Settlements Capacity Programme.

**3.7 Programme Monitoring and Evaluation**

The following were APP targets performance under Monitoring and Evaluation:

* Target on **100% of projects under implementation monitored -** 100% of projects under implementation monitored.
* Target on **100% of projects under implementation monitored (UISP) -** 100% of projects under implementation was partially monitored.
* Target on **UISP report presentation disseminated -** UISP report presentation not disseminated.
* Target on **100% of projects under implementation monitored in the Rental Housing Programme -** 100% of projects under implementation monitored in the Rental Housing Programme.
* Target on **Data Collection evaluation study completed - Rental Housing Tribunal** – Data was collected.
* Target on **FLISP report presentation disseminated** - FLISP report presentation disseminated.
* Target on **100% of projects under implementation monitored in the Affordable Housing Programme -** 100% of projects under implementation monitored in the Affordable Housing Programme.

**3.8 Executive Support**

The following were APP targets performance under Executive Support:

* Target on **100% compliance with statutory prescripts -** 75% compliance with statutory prescripts.
* Target on **55% implementation of the approved internal audit plan -** 61% of the approved internal audit plan implemented.
* Target on **100% execution of the approved anti-fraud and corruption implementation plan** - 63% execution of the approved anti-fraud and corruption implementation plan.
* Target on **75% implementation of the approved Risk Management Implementation Plan -** 76% implementation of the approved risk management plan.

**3.9 Informal Settlements**

The following were APP targets performance under Informal Settlements:

* Target on **manage 33 informal settlements to be upgraded to Phase 3 of UISP -** management of informal settlements was done however, 33 informal settlements was not upgraded to Phase 3 of UISP.

**3.10 Research, Policy, Strategy and Planning**

The following were APP targets performance under Research, Policy, Strategy and Planning:

* Target on **2 inception reports -** inception report on Agri-Villages and rain water harvesting was completed, but not on Exemption of Holding Cost for state land.
* Target on **inception report on 2 research reports on Informal Settlements Upgrading completed (The use of technology and community participation in informal settlements) -** inception report partially was completed.
* Target on **inception report on a socio-economic survey on informal settlements -** Inception report was partially completed.
* Target on **inception report on a socio-economic survey on informal settlements -** inception report was partially completed.
* Target on **2 SEIAS reports on 2 draft policies developed -** 2 SEIAS Reports on 2 draft policies developed.
* Target on **consultation report: Policy on Social Facilitation developed -** Consultation report on Policy on Social Facilitation was completed.
* Target on **consultation report on policy: Policy on Empowerment of designated groups developed** - Consultation report on Empowerment of designated groups.
* Target on **Socio-Economic Impact Assessment System (SEIAS) report -** Socio-Economic Impact Assessment System (SEIAS) report was completed.
* Target on **inception report on Affordable Housing research -** Report on Feasibility of Mortgage Default Insurance was completed.
* Target on **Socio-Economic Impact Assessment report -** Socio-Economic Impact Assessment report was completed.
* Target on **16 integrated implementation programmes for PDA prepared -** 0 integrated implementation programmes for PDA prepared. However, 16 situational analyses were prepared.
* Target on **20% of land acquired within the PDA’s re-zoned -** 0% of land acquired within the PDA’s re-zoned.
* Target on Project Readiness matrix implemented in 9 provinces - Project Readiness matrix partially implemented in 9 provinces.
1. **Committee observations and recommendations**

The Portfolio Committee welcomed that the Department was still verifying performance by provinces. However, the Portfolio Committee raised the following with the Department in respect of the third quarterly report for 2021/22. The Minister must ensure the implementation of these recommendations by the Department:

**4.1 Observation:** The Committee was concerned about poor performance in the transformation targets, technical capacity, land acquisition and zoning for Priority Development Areas. The Committee acknowledged that poor performance was partly due to verification of performance reported by provinces. However, there was a concern that poor performance in the mentioned areas seem to be a reoccurring problem.

**Recommendation:** Fast-track the verification of performance by provinces. Develop turn around strategies to improve performance in land acquisition for PDAs, transformation targets, technical capacity.

**4. 2** **Observation:** The Committee was concerned about payment of services providers within 30 days

**Recommendation:** Ensure consequence management for poor performance in relation to payment of service providers within 30 days. Furthermore, ensure that service providers provide accurate banking information to prevent unnecessary payment delays.

**4.3 Observation:** The Committee was concerned about the slow pace in the appointment of senior management in the Department.

**Recommendation:** Fast-track the appointment of senior management in the Department. Provide the Committee with clear timeframes on the recruitment.

**4.3 Observation:** That the Housing Development Agency (HDA) was taking too long to identify, acquire, and release land for PDAs.

**Recommendation:** Capacitate the HDA in the acquisition of land for PDAs. Develop intergovernmental relations with relevant Departments to fast-track the acquisition of land for PDAs.

**4.4 Observation:** That some provinces were poorly utilising their grants. This resulted in funds being reallocated to other provinces.

**Recommendation:**  Provinces that are poorly utilising their grants should be summoned to the Committee to explain their challenges in this regard, within 6 months.

**Report to be considered.**