**Report of the Portfolio Committee on Human Settlements, on the 2021/22 Fourth 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 fourth 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 fourth 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 fourth 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 slightly upwards to R31.68 billion through the adjusted appropriation. By the end of the fourth quarter, the Department spent R30.96 billion (97.7%) of its overall budget. Spending was R720.3 million (2.3%) lower than projected, primarily due to lower than anticipated spending on compensation of employees, due to the resignation of 24 employees within Programme 1 during the 2021/22 financial year.

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

A brief summary per programme is provided below:

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

Spending under this Programme reached R416.7 million against an available budget of R495.6 million. The preliminary underspending of R78.9 million (15.9%) is due to 24 employees who resigned during 2021/22.

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

Programme 2 spent R21.2 billion against the available budget of R21.2 billion. Preliminary underspending of R56.1 million (0.3%) is mainly due to lower than anticipated expenditure on goods and services (in particular on consultants), due to delays in procurement processes for the appointment of professional services to augment skills in the programme.

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

Under this Programme spending reached R8 billion, against a projection of R8.4 billion, with spending therefore being 5.4% lower than projected (preliminary underspending of R450.1 million). This can predominantly be attributed to lower than projected transfers of the Municipal and Provincial Emergency Housing Grants, as these grant transfers are dependent on approved applications. This means that when no applications are received, no disbursements are made.

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

This Programme spent R850.9 million against an available budget of R936.8 million, therefore spending R85.9 million (9.2%) less than projected. This is attributed to the non-payment of the reprioritized funds to be transferred to the Housing Development Agency for the acquisition of the SABC Sea Point property. The transfer was not disbursed, as the Agency did not provide the Department with an assurance certificate for its financial management and internal control systems.

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

Spending under this Programme reached R539.5 million against the available budget of R588.8 million. The preliminary underspending of R49.3 million (8.4%) was mainly due to lower than anticipated expenditure on transfers for international organizations and the scholarship programme. There were also technical and systematic challenges with processing the Cities Alliance membership fees transfer. The payment only went through in April 2022 and will therefore be reflected in the 2022/23 financial statements. The Department was furthermore unable to conclude an agreement with the UN Habitat, resulting in the funding for informal settlements programmes not being transferred. Lower bursary transfers for the scholarship programme continued in 2021/22, following the trend in earlier years due to the lower take-in of new students.

1. **Departmental Performance**

**3.1 Affordable Housing**

The following were APP targets performance under Affordable Housing:

* Target on **verified 13 102 BNG houses delivered –** 12 939 BNG houses delivered.
* Target on **9 916 serviced sites completed (HSDG) -** 16 671 serviced sites completed.
* Target on **13 750 serviced sites completed (USDG) -** 2637 serviced sites completed.
* Target on **progress reported on 2014 post-2014 title deeds registered** **-** progress report on 1194 Post-2014 title deeds registered.
* Target on **progress reported on 2 000 pre-1994 title deeds registered -** progress report on 529 pre-1994 title deeds registered.
* Target on **progress reported on 6 600 post-1994 title deeds registered -** progress report on 3241 post-1994 title deeds registered.
* Target on **progress reported on 2 000 new title deeds registered -** Progress reported on 2 new title deeds registered.
* Target on **2nd quarter performance assessments on FLISP subsidies disbursed -** one 3rd quarter performance assessments on FLISP subsidies disbursed.
* Target on **9 provinces supported to eradicate the title deed backlog -** 9 Provinces partially supported to eradicate the title deed backlog.
* Target on **50 National Priority projects implemented -** 50 National Priority projects were 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 (Invoices).
* Target on **2022/23 Human Settlement Grants Framework approved -** 2022/23 Human Settlement Grants Framework approved.
* 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** - 77% implementation of the Annual HR Implementation Plan.
* Target on **75% implementation of approved annual ICT plan -** 91% implementation of approved annual ICT plan.
* Target on **75% implementation of the approved communication strategy -** 100% 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 monitored.

**3.6 Technical Capacity**

The following were APP targets performance under Technical Capacity:

* Target on **100% implementation of the HS Capacity programme** - 67% implementation of the HS Capacity programme.
* Target on **100% implementation of the UISP Capacity Assembly Programme -** 67% implementation of the UISP Capacity Assembly Programme.
* Target on **100% implementation of the HS Capacity Programme -** 67% implementation of the HS Capacity Programme.
* Target on **100% implementation of the Human Settlements Capacity Programme (Affordable) -** 67% 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 monitored.
* Target on **One UISP evaluation study completed -** One UISP evaluation study completed.
* 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 **one evaluation study completed on Rental Housing Tribunal –** one evaluation study completed.
* Target on **one evaluation study completed on the implementation of FLISP** - one Evaluation study completed.
* 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 -** 96% of the approved internal audit plan implemented.
* Target on **100% execution of the approved anti-fraud and corruption implementation plan** - 100% execution of the approved anti-fraud and corruption implementation plan.
* Target on **75% implementation of the approved Risk Management Implementation Plan -** 100% 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 **two research reports completed -** 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) –** 2 research reports were not completed.
* Target on **2022/23 National Human Settlements Development Plan -** 2022/23 National Human Settlements Development Plan not finalized.
* Target on **2 policies developed (informal Settlements Upgrading Macro policy and a draft Property Transactional Support Centres policy -** 2 policies developed.
* Target on **2 policies developed (A policy on Social Facilitation and policy on Empowerment of designated groups developed) -** 2 policies developed.
* Target on **policy framework on Rental Housing developed -** policy framework on Rental Housing developed.
* Target on **one research report on Affordable Housing completed** - one research report on Affordable Housing completed: Feasibility of Mortgage Default Insurance.
* Target on **Socio-Economic Impact Assessment report –** one policy on affordable housing developed: Programmes for the entities.
* Target on **15 integrated implementation programmes for PDA prepared -** 15 integrated implementation programmes for PDAs prepared.
* Target on **30% of human settlements grants invested in PDAs -** 15.76% of human settlements grants invested in PDAs.
* 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 in 9 provinces -** Project Readiness matrix implemented in in 9 provinces.
* Target on **Project Readiness matrix implemented in 8 Metro -** Projects Readiness Matrix not implemented in 8 Metros.

1. **Committee observations and recommendations**

The Portfolio Committee raised the following with the Department in respect of the fourth 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 delivery of BNG houses and service stands. However, the Committee acknowledged that the Department was still in the process of verifying provincial performance.

**Recommendation:** Fast-track the verification process of provincial performance. Develop strategies to improve performance in the delivery of BNG houses and service stands.

**4.2 Observation:** The Committee observed that the project readiness matrix was not implemented in 8 provinces.

**Recommendation:** Assist provinces and municipalities to develop their sound business plans. Ensure the implementation of project readiness matrix in all provinces.

**4.3 Observation:** That informal settlements had not been upgraded to phase 3 for 3 years. The Committee was concerned that the Department was not intervening on time to assist metros to spend the USDG.

**Recommendation:** Ensure close monitoring of the informal settlements upgrading programme. Put in place measures to deal with land invasions. Fast track the re-blocking of informal settlements. Conduct occupancy audits to determine whether people who live in informal settlements are South Africans. Assist metros to develop sound plans to spend the USDG.

**4.4 Observation:** The Committee noted with concern that a lot of employees were leaving the Department. This was happening despite the high rate of unemployment.

**Recommendation:** Development strategies to retain employees and ensure their wellness. Provide the Committee with clear timeframes for recruiting new employees. This plan must be presented to the Committee within 6 months.

**4.5 Observation:** The Committee welcomes the budget allocated to entities owned by designated groups (30% for women, 10% for youth, 5% for people living with disabilities). However, more details were required by the Committee.

**Recommendation:** A detailed presentation of the budget allocated to entities owned by designated groups must be presented to the Committee within 3 months. This presentation must outline the level of involvement by designated groups.

**Report to be considered.**