**Report of the Portfolio Committee on Human Settlements on the 2022/23 Third Quarter Financial and Non-Financial Performance of the Department of Human Settlements, 24 May 2023.**

The Portfolio Committee on Human Settlements (the Committee), having considered the 2022/23 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 2022/23 third quarter report of the Department on 15 March 2023. This report provides a reflection on the expenditure and non-financial performance of the Department by the end of the second quarter of the 2022/23 financial year. It also provides the Committee’s key deliberations, observations, and recommendations. Those are based on the documents presented to the Portfolio 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: Third Quarter**

Over the medium term, the Department would continue to focus on developing integrated human settlements;

upgrading informal settlements; and creating an enabling environment for affordable housing by continually

reviewing policy and implementation programmes; and strengthening support to provinces and municipalities to implement human settlements programmes.

Expenditure was expected to increase from R33.5 billion in 2022/23 to R38.1 billion in 2025/26 at an average

annual rate of 4.4%. Transfers to provinces, municipalities and public entities that implement human settlements programmes constitute an estimated 96.1% (R104.7 billion) of the Department’s budget. These comprise allocations such as the Human Settlements Development Grant (HSDG), the Urban Settlements Development Grant (USDG), the Informal Settlements Upgrading Partnership Grant (ISUPG) and transfers to public entities, and were expected to increase at an average annual rate of 3.9%, from R32.5 billion in 2022/23 to R36.5 billion in 2025/26.

**2.1 Developing integrated human settlements**

One of the Department’s objectives was to create inclusive communities within an improved spatial landscape. As such, over the MTEF period, the Department planned to finalize 11 integrated plans in priority development areas that were intended to advance spatial transformation and deliver integrated human settlements projects. The medium‐term target was to deliver 180 000 fully subsidized houses and issue 388 104 title deeds to beneficiaries from low‐income households. Spending for these activities was within the Integrated Human Settlements Planning and Development programme’s allocation of R73.5 billion. The programme’s budget increased at an average annual rate of 5.1%, from R22.1 billion in 2022/23 to R25.6 billion in 2025/26. An additional R2.2 billion was allocated through the USDG for: The Lufhereng integrated urban development project in Johannesburg, a mixed‐use residential housing development that aimed to promote spatial integration and provide affordable rental housing units; and the Avoca Node project, which aimed to create an enabling environment for private sector‐led housing developments in the in eThekwini municipality. These were the only projects approved to access the budget facility in the human settlements sector. Transfers to the grant were made in the Integrated Human Settlements Planning and Development programme.

From 2023/24 the Department would be taking over the implementation of the Emergency Housing Programme. As a result, the Provincial Emergency Housing Grant and the Municipal Emergency Housing Grant ended. This adjustment would increase expenditure on payments for capital assets from R15.3 million in 2022/23 to R575.9 million in 2025/26.

**2.2 Upgrading informal settlements**

The Department assists provinces and municipalities with comprehensive planning for the upgrading of informal settlements. This involves providing secure tenure, safe and reliable water and sanitation and adequate access to social services. Related work was completed in phases, with phases 1 to 3 comprising the provision of secure tenure and basic services such as water, sanitation, lighting and refuse removal. Community participation in the upgrading process is a key pillar in the programme as beneficiaries are encouraged to find adequate upgrading solutions that are specific to their communities. To upgrade a targeted 900 informal settlements to phase 3 across the country, provincial and municipal spending through the ISUPG was expected to amount to R27.2 billion over the medium term. A further R120 million over the period ahead was expected to ensure that provinces and municipalities deliver 60 000 serviced sites per year through the national upgrading support programme. The Department intended to hire consultants to augment capacity for the upgrading of informal settlements and the provision of affordable rental housing. Spending for this was within the Department’s budget for consultants, which was expected to increase at an average annual rate of 7.3%, from R188.8 million in 2022/23 to R233.5 million in 2025/26.

**2.3 Facilitating affordable housing**

Affordable housing broadly constituted the provision of rental and social housing programmes, and instruments to provide housing finance to traditionally unserved segments of the population. These were critical components in the creation of a functional residential property market. The Department aimed to increase the supply of rental and social housing stock, and assist low‐income and middle‐income households that earned above the qualifying threshold to receive state‐subsidized housing but below the threshold to secure a home loan. Accordingly, the Department planned to build 10 800 rental housing units and disburse 12 000 finance‐linked individual subsidies over 3 years. As a result, spending in the Rental and Social Housing programme was expected to be R3.1 billion and spending in the Affordable Housing programme was expected to be R1.9 billion.

**3.Performance per program**

**3.1 Programme 1 (Administration)**

The following was programme performance:

* **Target:** **55% implementation of the approved internal audit plan -** 61% implementation of the approved internal audit plan. 6% implementation of the approved internal audit plan.
* **Target: 100% Execution of the approved anti-fraud and corruption implementation plan -** 100% execution of the approved anti-fraud and corruption implementation plan.
* **Target: 64% implementation of the approved Risk Management Implementation Plan -** 53% implementation of the approved Risk Management Implementation Plan. 11% enterprise-wide risk register and Operational risk register.
* **Target: 100% implementation of the Human Resource Implementation Plan –** 100% implementation of the Human Resource Implementation Plan was achieved.
* **Target: 75% implementation of the approved annual ICT plan -** 75% implementation of the approved annual ICT plan was achieved.
* **Target:** **75% implementation of the approved communication plan -** 75% implementation of the approved communication plan.
* **Target:** **1 quarterly assessment conducted on Human Settlements Development Grant (HSDG)** - 1 quarterly assessment conducted on HSDG.
* **Target**: **1 quarterly assessment conducted on Urban Settlements Development Grant (USDG)** - 1 quarterly assessment conducted on USDG.
* **Target**: **1 quarterly financial performance analysis conducted on ISUPG for Provinces** - 1 quarterly financial performance analysis conducted on ISUPG for Provinces.
* **Target: Human Settlements Grants Framework drafts developed -** Human Settlements Grants Framework drafts developed.

**3.2 Programme 2 (Integrated Human Settlements Planning and Development)**

The following was programme performance:

* **Target: SEIAS report on the Draft Rent to Buy Policy Programme –** SEIAS report on the Draft Rent to Buy Policy Programme was achieved.
* **Target:** **SEIAS report on the Draft Small Scale Rental Policy Programme -** SEIAS report on the Draft Small Scale Rental Policy Programme was achieved.
* **Target: SEAIS report on the Draft Social Housing Policy Programme -** SEAIS report on the Draft Social Housing Policy Programme was achieved.
* **Target:** **SEIAS report on Draft Consumer Education Policy Programme -** SEIAS report on Draft Consumer Education Policy Programme was achieved.
* **Target:** **Consultation on Norms and Standards for Affordable Housing -** Consultation on Norms and Standards for Affordable Housing was achieved.
* **Target:** **SEIAS report on Draft Employer Assisted Housing Policy Programme -** SEIAS report on Draft Employer Assisted Housing Policy Programme was achieved.
* **Target:** **3 Inception Reports developed -** 2 Inception Reports developed. There were delays attributable to the procurement of service providers.
* **Target: 1 report on entities performance monitored -** 1 report on entities performance monitored.
* **Target:** **1 Monitoring report on the set aside for the designated groups -** 1 Monitoring report on the set aside for the designated groups. There were delays in the finalization of verification. The reports did not have the MAAA numbers which enable the unit to do CSD verification.
* **Target:** **1 Report on projects monitored as per approved business plans -** 1 Report on projects monitored as per approved business plans.
* **Target: 1 Report on blocked projects monitored -** 1 Report on blocked projects monitored.
* **Target:** **1 Report on the monitoring of MTSF Sector Indicators -** 1 Report on the monitoring of MTSF Sector Indicators was achieved.
* **Target:** **Draft Evaluation study completed: Implementation evaluation of the Operational Capital Programme (OPSCAP) -** Draft Evaluation study not completed: Implementation evaluation of the OPSCAP. However, Inception report was completed. Delays in the implementation of procurement plan.
* **Target: 1 report on intergovernmental relations programmes implemented -** 1 report on intergovernmental relations programmes was achieved.

**3.3 Programme 3 (Informal Settlements)**

The following was programme performance:

* **Target:** **Support provided to 9 Provinces for planning in the upgrading of informal settlements** - Support provided to 9 Provinces for planning in the upgrading of informal settlements was achieved.
* **Target**: **Monitor and report progress of informal settlements upgrading projects in 9 Provinces and 8 Metros -** Informal settlements upgrading projects in 9 Provinces and 8 Metros monitored.

**3.4 Programme 4 (Rental and Social Housing)**

The following was programme performance:

* **Target: Consultation on the Draft National Rental Housing Plan -** Consultations on the Draft National Rental Housing Plan was conducted.

**3.5 Programme 5 (Affordable Housing)**

The following was programme performance:

* **Target: 6 draft affordable housing programme agreements for mining communities developed -** 2 draft affordable housing programme agreements for mining communities developed. There was limited capacity in the Unit to achieve the targets.
* **Target: 1 quarterly report on title deeds registered** - 1 quarterly report on title deeds registered for five provinces. Ending of PDF contracts in Eastern Cape and North West resulted in no reporting from the provinces. The sole official responsible for titling in North West has resigned. The official responsible for titling in Free State was on leave and did not report.
* **Target**: **Diagnostic Report on blocked projects developed -** Diagnostic Report on blocked projects was developed.
* **Target:1 quarterly report on the number of job opportunities created -** 1 quarterly report on the number of job opportunities created partially achieved. Signed report was outstanding.

**4. Committee observations and recommendations**

The Portfolio Committee raised the following with the Department in respect of the third quarterly report for 2022/23:

4.1 **Observation:** Noted there was a number of jobs created through human settlements initiatives. However, details on the number and nature of jobs created was not provided to the Committee.

**Recommendation:** Provide the Committee with a detailed report on the number and nature of jobs that have been created through human settlements initiatives.

4.2 **Observation:** Concerned about the impact of re-allocation of funds, from non-performing to performing provinces, on citizens who expected service delivery. It was not clear if re-allocated funds resulted in improved service delivery by receiving provinces.

**Recommendation:** Present to the Committee a plan to address the impact of re-allocating funds from non-performing to performing provinces. This presentation should include an assurance that receiving provinces spend these funds on service delivery. This must be presented to the Committee within a month.

4.3 **Observation:** Concerned about the backlog in the eradication of mud houses and asbestos roofing. The Committee also note the report by Western Cape Department of Infrastructure that there was zero performance on eradicating mud houses.

**Recommendation:** Present to the Committee an implementation plan address the backlog of mud houses and asbestos roofing. Provide necessary assistance to the Western Cape Department of Infrastructure to improve performance. This implementation plan must be presented to the Committee within a month.

4.4. **Observation:** Concerned about a lack of plan to assist underperformance by provinces in relation to the MTSF targets. The Committee acknowledged that there were continuous meetings between the national Department and provinces to address this issue. However, there was still no concrete and widely accepted plan to address the issue.

**Recommendation:** Present a recovery plan to address underperformance in provinces. This plan must be presented to the Committee within three months.

4.5 **Observation:** Concerned about the continuous underperformance of ISUPG and USDG grants by Metros, affecting people on the ground. The problem was compounded by procurement challenges and political instability due to coalition governments.

**Recommendation:** Provide assistance to provinces to improve performance. Put in place interventions to ensure improved performance. Adequately deal with procurement challenges in all provinces. Funds to the City of Mangaung, Johannesburg and Tshwane should be withheld until they accountability to the Committee.

4.6 **Observation:** That the ideals of the Priority Development Areas (PDAs) programme were not achieved because of the land planning issues. The Committee, wanted to understand the process of land acquisition, particularly for serviced stands.

**Recommendation:** Present a plan to address issues associated with the implementation of PDAs programme. The Planning Directorate in the Department and the Housing Development Agency (HDA) should develop a plan to resolve issues affecting the implementation of PDAs. Present to the Committee the process of land acquisition and zoning to Committee within a month.

4.7 **Observation:** Noted the presentation on blocked projects and title deeds. However, the progress on unblocking of blocked project was not presented to the Committee.

**Recommendation:**  Present a plan to unblock blocked projects to the Committee. This must be done within three months.

4.8 **Observation:** Noted the presentation on title deeds. However, the Committee observed that land planning challenges hampered the issuance of title deeds.

**Recommendation:**  Improve land planning and rezoning processes to fast-track the issuance of title deeds.

4.9 **Observation:** Concerned about the non-compliance with the policy on payment of service providers within 30 days.

**Recommendation:** Ensure that invoices are paid within the prescribed 30 days. Address all challenges associated with non-compliance.

4.10 **Observation:** Noted the quantitative delivery of houses. However, the Committee was concerned about the lack integration of houses.

**Recommendation:** Ensure that houses are provided in a sustainable and an integrated human settlements approach. Ensure compliance with human settlements policy and programmes (Human Settlements Code) in the delivery of human settlements. Fast-track the review of the Housing Act into the Human Settlements Act.

4.11 **Observation:** Noted initiatives by the Department to empower women, youth, and people with disabilities. However, there was no detailed report on how these groups would be empowered.

**Recommendation:** Present to the Committee a detailed report on how these groups would be empowered through human settlements initiatives. This must be presented to the Committee within three months.

4.12 **Observation:** Concerned about a number of acting positions, in top management, which was affecting the performance of the Department and provinces. The acting position of the Director-General (DG) was of a particular concern.

**Recommendation:** Ensure the finalization of the appointment of the DG. Vacant posts in top management must be filled by individuals with relevant qualifications and experience.

**Report to be considered.**