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# Annual Report: Department of Human Settlements

10 October 2012

## 1. Introduction

The Department of Human Settlements tabled its Annual Report for the 2011/12 financial year. The Department received an unqualified Audit opinion from the Auditor General during the period under review. The focus of the analysis is based on the annual report of the department during the period under review.

## 2. The Organisational Structure

The Department of Human Settlements presented its turnaround strategy before the Portfolio Committee on Human Settlements in 2011.The Department indicated that the need had arisen to reconsider its Business Model and Value Chain and for it to be reconfigured to cater for its expanded scope, focus and depth of work in relation to the three spheres of government. The turnaround strategy is aimed at effecting seamless administrative processes[1], improvement of internal departmental performance, improvement in coordination, and achieving effective layers of management and specialisation. The current structure provides for five Deputy Directors-General (DDGs) and 25 Chief Directors, while the proposed structure plans for six DDGs and 21 Chief Directors. A new Project Management Unit (PMU) unit would be added to the structure.

However, there are a number of issues arising from the Department's Organisational Structure:

- There is a concern about the large number of Acting Senior Mangers. How long will these Senior Manager be acting for?
- There are a number of Mangers who are acting in more than one capacity, e.g Mr Phillip Chauke: CD Monitoring & Evaluation as well as in CD National Sanitation. Mr Johan Wallis: CD is Acting DDG Service Delivery as well as Acting CD Human Settlements Planning. Mr Mandla Xaba is an Acting CD IT and Systems as well as CD Management Information Services. Mr Nyameko Mbengo is DDG Chief Finance Office (Acting) and CD Financial Services
- Another concern is that of all the Senior Managers, the representivity of Women is estimated at less than 30%.

[1] PMG (2012)

## 2. Liquidation of Entities

The process of winding down (liquidation) of Servcon and Thubelisha was initiated in 2008, at which stage the Department indicated that the detailed closure plan was to be completed within two months, and the entire process was scheduled to be completed within six months.[2]

**Issues arising:**

In 2009, the Department indicated that the closure of Servcon Housing Solutions and Thubelisha Homes would happen by the end of March 2010, while the Social Housing Foundation (SHF) was set for closure during 2010/11 when the Social Housing Regulatory Authority would come into operation.

However, a year later (2010/11) the Department reported that Servcon and Thubelisha was still in the process of closure, guided by respective closure plans. According to the Department, the SHF was targeted for closure by March 2011.

In 2012, the Department reported that Thubelisha was placed under voluntary liquidation by end of March 2012, while Servcon is still in the process of closure. The SHF was also reported as being in the process of being dissolved.

In May 2012, the Department reported to Parliament that the South African Revenue Services (SARS) declared that Servcon was not tax-exempt. Further, there were still a few land parcels in the possession of Servcon, which would be disposed of through competitive bids. There were still a few properties that were held by the banks, and 61 properties that needed to be normalised. About 300 title deeds remained still to be handed over to the rightful beneficiaries, and conveyances were engaged with this process. It was reported that once all the liabilities of the entity had been settled, the guidelines contained in the PFMA would be followed to de-list Servcon as an entity.

The Department has indicated that the R3 million provided for the closure of Social Housing Foundation was not required.

Issues:

- Clarification should be provided on this issue, as to why was the money allocated if it was not required?
- Where was this R3 million channelled to?

[2] PMG (2008)

## 3. Strategic outcome oriented goal 4: Improved Property Market

The Department has indicated that it intends to facilitate, with the private sector, to improve financing of 600 000 housing opportunities in the Gap Market for people earning between R3 500 and R12 800.

The National Housing Finance Corporation (NHFC) presented to the Portfolio Committee on Human Settlements, an update on the Mortgage Default Insurance Fund which would be launched by October 2012. The MDI was a key ground-breaking programme that would fundamentally change access to housing and mortgage financing for working class and lower-income families. The MDI gave lower-income consumers the opportunity to qualify for loans that they would not otherwise qualify for[3].

Issues arising:

- Taking into consideration that the MDI was pronounced in 2010, the department should give an indication as to how far have they reached people in the Gap Market.
- The department should also indicate as to whether the intended market niche has been sensitised about the MDI through the awareness programmes and etc.

## 4. Departmental Expenditure

| Programme | Allocation (R'000) | Expenditure (R'000) | (%) Spent |
|---|---|---|---|
| Administration | 222 111 | 166 237 | 74.8% |
| Housing Policy, Research & Monitoring | 39 954 | 32 866 | 82.2% |
| Housing planning & delivery Support | 193 011 | 186 733 | 96% |
| Housing development Finance | 22 201 499 | 22 105 262 | 99.5% |
| Strategic Relations and Governance | 169 478 | 105 064 | 61% |
| **Total** | **2 282 541** | **22 596 162** | **99.0%** |

[3] PMG (2011)

In overall, the Department has spent 99% of its allocated funds. However, expenditure per programme brings out the following issues:

- The under expenditure on Programme 1 (Administration: 74%), is a course for concern. Is it as a result of less or fewer staff compliments because of growing vacancies, and if so, when will those vacancies be filled, and what is the time-frames?
- The under expenditure of programme two (Housing Policy, research and Monitoring 82%) is also a course for concern. This is programme is one of critical ones within the Department country wide, it should be seen as providing capacity where there is a lack thereof, it should be seen as conducting extensive research on the use of alternative technologies, and many other critical aspects encompassed in Human Settlements. The Department should therefore provide clarity on how are they going to improve their performance particularly on this programme.

The directorate: Special Investigations managed to spend only R25,8 million of its original allocation of R56,1 million which was adjusted to R44,7 million. It was indicated that under spending came about because of late invoicing by the SIU. The Chief Directorate: Internal Audit, Risk Management and Special Investigation indicated a saving of R18,9 million but only R11,3 million of the saving could be utilised.

Issues arising:

- Clarification should be provided as to where was the R11,3 million from the savings channelled to, where was it utilised on?

Under Programme 4 (Housing Development Finance), it was indicated that the Rural Household Infrastructure Grant (RHIG) spent R187,3 million of its allocated R257,5 million, leaving a balance of R70,2 million (72%). Since 2007, government had identified rural development as one of the country's major priorities. In accordance with this, the Department had identified areas in 8 provinces of the country to implement sanitation service.

Issues arising:

- The under expenditure of RHIG is a course for concern. In its oversight, the Committee has identified a number of areas where people do not have proper sanitation facilities, and this promotes open defecation because people do not have any other option.
- Clarity should be sought in terms of remedial action that the Department would come up with in order to rescue the sanitation issue in these identified provinces
- The programme of RHIP was given a life span of until 2014. Since this programme will be coming to an end soon, how far has the Department gone in the provision of sanitation?

## 5. Housing Disaster Relieve Grant 2011/12

| Province | Funds allocated and transferred (R'000) | Funds spent R'000 | Percentage spent |
|---|---|---|---|
| Eastern Cape | 56 700 | 0 | 0% |
| Free State | 44 100 | 16 631 | 38% |
| Gauteng | 36 | 0 | 0% |
| KwaZulu-Natal | 31 140 | 3 503 | 11% |
| Limpopo | 21 474 | 0 | 0% |
| Mpumalanga | 360 | 360 | 100% |
| Northern Cape | 10 350 | 10 350 | 100% |
| North West | 15 840 | 2 360 | 15% |
| **Total** | **180 000** | **33 212** | **18%** |

The under expenditure and none expenditure of the Disaster Relieve Grant is worrying factor. Provinces such as Eastern Cape, Gauteng, and Limpopo have not spent at all.

Issues arising:

- The money that has been transferred to Provinces and have not spent their Disaster Grant, how will it be utilised – rollover, shifted to other provinces, etc?
- Is the money deposited in the bank and accumulating interests, and has there been a consideration as to where does this accumulated interest go to?
- The provinces that have not spent, will they request for get roll-overs of all these unspent funds?

## 6. Urban Settlements Development Grant (USDG) 2011/12

| Municipality | Funds allocated and transferred (R'000) | Funds spent (R'000) | Percentage spent (%) |
|---|---|---|---|
| Buffalo City | 423 446 | 796 99 | 19% |
| Nelson Mandela | 502 626 | 314 922 | 63% |
| Mangaung | 411 995 | 163 153 | 40% |
| Ekurhuleni | 1 094 276 | 504 305 | 46% |
| City of JHB | 1 027 970 | 470 176 | 46% |
| Tshwane | 891 081 | 349 874 | 39% |
| eThekwini | 1 091 574 | 558 323 | 51% |
| City of Cape Town | 824 030 | 287 972 | 35% |
| **Total** | **6 266 998** | **2 728 424** | **44%** |

Following the establishment of the National Department of Human Settlements (NDHS) in 2009, a number of processes, initiatives and actions have been undertaken to ensure that the mandate and outcome/s required of the NDHS are realised. One of the primary matters identified for attention and resolution is the consolidation of funding to ensure "sustainable human settlements and improved quality of household life" is achieved.[4] In this regard, The USDG was introduced in the 20011/12 national year, parallel to the Accreditation (delegation of housing responsibilities) of metropolitan municipalities.[5]

Issues arising:

The USDG is a grant allocated to respective Metros in South Africa, after having considered a number of factors, such as capacity and etc. The under-expenditure of the USDG by Metros raises many questions.

- Is the under-expenditure caused by lack of capacity in theses Metros, taking into consideration that that they have been accredited?
- Buffalo City is the lowest of them all in terms of its expenditure (19%), this is a cause for concern, given the bulk-infrastructure backlog that the Committee came across during its oversight visit to this municipality.
- Overall, a total of 44% of the USDG was spent. The Department should provide the Committee with plans to assist these municipalities and assist them to improve their spending of the USDG.
- There is lack of common understanding of where should the USDG be spent on. The metros seem to be utilising the USDG on creating Parks, Cemeteries, Community Halls, and etc. The Department should therefore come up with a framework that would assist the Metros in streamlining the usage of the USDG and promote a common understanding amongst the Metros on where the Grant should be spent on.

## 7. Key performance-related challenges

The Department did not meet planned targets with respect to the following:

- National human settlements policy not developed and promoted during period under review.
- The sub-programme Monitoring & Evaluation did not complete two impact assessment reports – only one draft report available since the profiling of informal settlements was still outstanding.

[4] DHS (2012)
[5] Ibid

- The revised White Paper on Basic Household Sanitation was not finalised during the period under review, as planned.
- The Department only managed the delivery of approximately 1 686 public rental housing units (against target of 4 000) and 4 127 private rental housing units (against target of 16 000). Reasons for the variation include limited funding, delays in plan approval, delays in land release, challenges to access to well-located land.
- Only 18 000 households reached through RHIP, instead of 33 000.
- Instead of assessing 26 municipalities to ensure compliance with sanitation norms and standards, only ten municipalities were assesses. This was due to sewerage upgrades, revision of ground water protocol which was unforeseen during the planning period, as well as gaining, spilling and overloading WWTPs – which had to be visited.
- The Women in Human Settlements Programme was not implemented.
- A mentorship programme for emerging contractors was not implemented – this programme is pending a national emerging contractor conference.
- Support for the annual military veterans build was partly achieved – an impediment was the fact that the relationship with the Department of Defence and Military Veterans was yet to be formalised.
- A report was not completed on the evaluation of the performance of boards of housing entities – this was because entities only submit reports at the end of the financial year (31 March) and report can therefore only be completed during the first quarter of 2012/13/.
- Out of a total of 31 audits, only 14 were completed due to client unavailability, client delays on commenting on reports, slow submission of requested information, as well as capacity constraints in Internal Audit.

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