

REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS IN RELATION TO THE 4th QUARTERLY REPORT (JANUARY- MARCH) OF THE DEPARTMENT OF HUMAN SETTLEMENTS

1. INTRODUCTION

As stated in Rule 218 sub-rule (1) (2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature, the Member of the Executive Council responsible for a provincial department must table the quarterly reports of the department to the Speaker, within 30 calendar days after the end of a quarter.

The Committee considered the 4th quarterly report of the Department of Human Settlements (the department) for the 2014/15 financial year, reporting period January – March 2015. Interaction with the department was aimed at assessing the department's performance for the quarter.

2. METHOD OF WORK

The Honourable Speaker referred the 4th quarterly report of the Department of Human Settlements to the Committee for consideration and report back to the House.

On 22 July 2015 the Committee was briefed by the researcher on the 4th quarterly report of the department. The Committee interacted with the department during the deliberations, which were held on 11 August 2015. The analysis questions were sent to the department and the written responses thereto were submitted to the Legislature on 18 August 2015, together with the responses to the questions raised by the Committee during the deliberations.

The Honourable MEC for Human Settlements, the Head of Department (HOD) and his senior management team, the Provincial Treasury, the Office of the Auditor-General, South African Local Government Association (SALGA) and House of Traditional Leaders (HTL) were invited to the meeting. Subsequently, the Committee considered and adopted its draft report on 21 August 2015.

3. GENERAL OBSERVATIONS BY THE COMMITTEE ON 4th QUARTERLY REPORT

- ❖ The MEC, Hon VS Siwela was unable to attend the meeting due to the ten day mourning process of her late father.
- ❖ The Department has underspent by R 115 976 000 or 6.2% for the 4th Quarter in the 2014/15 financial year.
- ❖ The Department is not well represented in terms of Gender, (no women in Senior Management positions)

4. ANALYSIS ON THE BUDGET EXPENDITURE

The Department had been allocated an adjusted total budget of R 1, 380 507 000 for the 2014/15 financial year in order to implement Outcome 8 which was adjusted to R1 873 079 000-00 i.e. (R 492 572 000 total adjustment). The Department underspent by 6.2% as indicated on the table below.

SUMMARY OF EXPENDITURE

Programmes	Adjusted Budget (R'000)	Actual Expenditure end of March (R'000)	(Over)/ Under spending (R'000)	Outcome of %
Housing Needs, Research & Planning	333 578	319 433	14 145	95.8%
Housing Development, Implementation & Target	1 416 053	1 310 604	105 449	92.6%
Housing Assets Management	3 651	3 651	-	100.0%
Total	1 873 079	1 757 146	115 933	93.8%

The table above refers to the summary of expenditure and there is an indication that Programme 1 i.e. Administration spent above Treasury bench mark by R 3 661 000-00 being 3.1% which is above the Treasury bench mark of 100% for the fourth quarter, whereby programme 2 & 3 being housing needs, research & planning and housing development implementation & target have spent below the Treasury bench mark of 100% by 4.2% (95.8%) and 7.4%(92.6) respectively whilst programme 4 spent according to the Treasury bench mark at 100%.

Therefore, the spending below and above Treasury bench mark by the Department which still owes to the question which was raised as a concern during the 3rd quarter, where the Department had projected its expenditure at R362 197 000.00 whilst it has exceeded the Treasury Bench Mark of 75% and a question was asked on what basis did the Department believe it will break even owing to that fact still to date the department is at 93.8% spending which is below by 6.2% of the Treasury bench mark of 100% i.e. which does not break even.

Economic Classification

Economic Classification R' 000	Adjusted Budget	Actual Expenditure to the end of Mar 2015	(over)/under- spending	(over)/under- spending
Compensation of employee	151 243	151 197	46	100.0%
Goods and Service	51 090	51 089	1	100.0%
Transfers and Subsidies	1 605 562	1 535 180	70 382	95.6%
Payments for Capital Assets	65 184	19 637	45 547	30.1%
Total	1 873 079.00	1 757 103.00	115 976.00	93.8%

The above table refers to the economic classification which disaggregates expenditure per items and also indicate the economic items that have spent below the Treasury bench-mark i.e. payment for capital assets and transfers and subsidies, Whilst other items have achieved percentage required by the Treasury bench mark on Goods & Services and compensation of employees for the 2014/15 financial year.

The Department was requested to give an explanation on why did the department under spend its budget during the period under review. In its response, the Department reported that it underspent by R115 976 million because of the following reasons:

- ❖ The Department received an additional R36.8 million during the second adjustment in March 2015 on the last day of the financial year therefore it was impractical to spend the funds. The rollover has been requested for the funding of water projects in Bushbuckridge Local Municipality as per directive of budget and finance committee.
- ❖ The Department had received an amount of R70 million from national department of human settlements in the second week of March 2015, this money was reallocated from the under spending in Limpopo province. The funds are committed for the youth brigade programme in 2015/16 financial year as directed by MINMEC.
- ❖ The balance of R9 million is the remainder of R24 million allocated to assist to identified of municipalities bulk infrastructure rehabilitation for (Govan Mbeki, Lekwa, Mbombela, eMalahleni and Bushbuckridge local Municipalities.

The Committee noted that the Department did not achieve its planned targets for the financial year 2014/15 and in turn achieved on targets rolled over from 2013/14.

The Committee wanted to know if the Department has any plans or corrective measures that have been put in place to prevent further over spending of funds during the 2015/16 financial year, whilst trying to achieve the targets for 2015/16 financial year and rolled over targets from 2013/14 & 2014/15 financial years respectively. In its response, the Department reported that the rollover funds have been incorporated into the 2015/16 business plan and the Department is implementing the programmes. The Department has a monthly performance review report and it had implemented the turnaround plan to eliminate old projects whilst focusing on the current year targets.

5. PRESENTATION BY THE HEAD OF THE DEPARTMENT (HOD) AND INTERACTION ON THE MAIN PROGRAMMES

The HOD briefed the Committee on the departmental performance on the financials and non-financials. He provided an overview of the department's progress as at 31 March 2015 and to date. The HOD indicated the following to the Committee:

- ❖ The Department has planned to create 10 955 housing opportunities during the financial year under review which consist of the following; Construction of Top Structures-7400 Houses; Servicing of Sites-3 200 Stands and other opportunities (including Rental Stock and Comprehensive Rural Units) 355 Units
- ❖ At the end of the fourth quarter, the Department delivered 2 772 houses against the target of 1 832 houses.
- ❖ The Department managed to service 531 sites against the 1 600 projected during the period under review, due to the fact that projects were ahead of schedule.
- ❖ The Department has issued 1 250 title deeds against the 1 500 projected during the fourth quarter of 2014/15 financial year and that the under- performance was due to over achievement in previous quarters.
- ❖ In order to provide affordable rental accommodation and finance to those who are outside the RDP subsidy bracket, four (4) projects are currently underway and the Department is convinced that the annual target of 355 will be achieved by the end of this financial year.

After the presentation, the Committee welcomed the overview made by the HOD on the 4th Quarter Performance Report of the Department and raised a serious concern on the lack of women representation within their senior management delegation

The Committee also raised a serious concern that during the Pre-TLP visit to Nkomazi Local Municipality, most projects which were built during 2011/12 financial year were not completed, especially in an area called Steenbok. The Houses that were supposed to be built are at the foundation phase and that the officials of the Department do not visit the communities in order to notify them if the Department is faced with challenges regarding the construction of the houses. Most of the residence had to complete their houses at their own costs. The interaction below is per programme by programme.

5.1. PROGRAMME 1 - ADMINISTRATION

The purpose of this programme is to provide strategic administrative and management support to the Department.

Summary of sub-programmes

Sub-programmes	Planned Targets	Actual Outputs	%
1. CFO	7	5	71%
2. Human Resource Management	0	0	0%
3. Transversal Services	1	0	0%
4. Housing Subsidy Scheme	0	1798	0%
5. Communication & Information Technology	0	0	0%
6. Strategic Planning & Programme	0	0	0%
7. Legal Services	3	0	0%
Total	11	1802.95	16 390%

The Committee noted that the above table indicates that Programme 1 sub-programme 4 on house subsidy scheme did not plan any targets for the 4th quarter, however, there were 1798 number of beneficiaries for 2014/15 projects achieved due to the amendment of project list, and the Department further committed itself to plan properly in the 2015/16 financial year. However, through inspection of the Annual Performance

Plan (APP) 2015/16 the Committee noted that, the same planned targets for 2014/15 are the same targets for 2015/16 which now does not support the department statement of proper planning.

The Committee requested the Department to clarify as to what was meant by proper planning whilst the same plans are targeted for 2015/16. In its response, the Department reported that, beneficiaries are an integral part to the successful completion of housing projects. Before a contractor could commence with the construction of a house, the beneficiary should have been approved for the subsidy, or else no payment can be effected without an approved beneficiary on the system, unless it's a green-field IRDP project. Therefore, the interpretation should be that the Department should try to complete and finalise beneficiary management policy latest, by the end of second quarter (30 September 2015). In future, beneficiary management should be part and parcel of project preparation such that it is finalised at project planning stage, before the commencement of the final year during which housing construction would be undertaken.

5.2. PROGRAMME 2: HOUSING NEEDS, RESEARCH AND PLANNING

The programme is designed to facilitate research and planning for the establishment of human settlements, so that verifiable researched information can be used for the establishment of integrated sustainable human settlements. The performance of the sub-programmes is indicated below:

Housing Needs Research and Planning

Sub-programmes	PLANNED TARGETS	ACTUAL OUTPUTS	%
Technical Management			
• Number of certified Houses	1832	2288	125%
• Number of municipalities assisted with bulk infrastructure upgrade	5	0	0%

The Committee noted that the above table shows that sub-programme 2 i.e. Technical and Project Management had 1832 planned targets and achieved 2288 actual outputs i.e. 125% (456 targets more) on houses certified which was as a result of the roll overs of units that were not completed from the previous quarters. However, the planned 5 targets on municipalities to be assisted with bulk infrastructure upgrade were not achieved due to the redirection of the budget for bulk infrastructure to other programmes.

The Committee requested the Department to provide detailed information of the programmes that were affected by the redirections of the budget for bulk infrastructure. In its response the Department reported that, the projects that were affected were as follows: payment of internal services of Maphepheni and Rustplaas projects at Mkhondo Municipality. The Committee wanted to know how the redirection of funds affected the beneficiaries who were supposed to benefit from the bulk infrastructure.

The redirecting of funds has not disadvantaged the beneficiary as the same service was received through another government entity (MEGA). In fact the Department has received more benefit than initially planned, since both bulk and internal reticulation infrastructure for water supply were installed within a short time.

5.3. PROGRAMME 3: HOUSING DEVELOPMENT

The purpose of this programme is to provide individual subsidies and housing opportunities to beneficiaries in accordance with the housing policy.

Housing Development

Sub-programme	Planned Targets	Actual Outputs	%
1. Financial Intervention	45	63	140%
2. Incremental Housing Interventions			
• Households with access to basic services	1600	531	33%
• Number of units delivered through the incremental housing intervention	1145	2396	209%
3. Social & Rental Housing	355	179	50%
4. Rural Housing			
• Number of units delivered through rural housing	287	313	109%
• Number of Households provided with adequate housing	1832	2772	151%
• Number of Job opportunities created	250	0	0%

Financial Intervention

The Committee noted that there is an increase of 18 planned targets achieved on financial intervention whereby 45 were planned and 63 were actually achieved in the 4th quarter. The Department over achieved their planned targets for the 4th quarter, however, when scrutinizing the planned targets in the 1st, 2nd & 3rd quarter confirmed that the Department under performed on their planned targets and was not in line with its APP. Furthermore, the Committee noted that the Department actually under performed by 141 targets as it had 235 annual planned targets for the 2014/15 financial year and only managed to achieve 94 planned targets.

The Department indicated that this under performance was due to slow progress by some contractors and difficulty in securing serviced sites for the constructions of the Military Veteran houses, thus projects have been carried over to 2015/16 financial year. The Committee noted with disappointment the non-achievement of the 41 units for the military veterans as was planned for 2014/15 financial year due to the failure to secure sites.

Roll over projects

The Committee wanted to know whether the Department has rolled over project from the financial years 2013/14 and 2014/15 to the current financial year 2015/16 together with its funding from the prior financial years 2013/14 and 2014/15, respectively. Further to that the Committee questioned whether the budget would still cover for the remaining projects without adjustment to cover to the increment of the market price of material vs projects costs as this is in application of the new contractors in relation to the terminated contractors.

In its response, the Department confirmed that, it is still implementing projects from the 2013/14 and 2014/15 financial years. However, the Department achieved its 2014/15 targets for top structures as well as over achieved its target for serviced sites. The rolled over projects from the previous financial years are included in the 2015/16 business plan and are been implemented this financial year. The Department further reported that the budget is adequate as the materials and projects cost is governed by the Human Settlements Development Grant (HSDG) subsidy quantum. The 2015/16 subsidy quantum for serviced sites and top structures remains the same as the 2014/15 subsidy quantum.

5.4. PROGRAMME 4: HOUSING ASSET MANAGEMENT

The purpose of this programme is to facilitate assets management.

Summary of planned targets and actual targets

Performance Indicators	Planned Targets	Actual Outputs	%
1. Title Deeds	1500	1250	83%
2. Rental Disputes	30	43	143%

Rental disputes

The Committee noted that the table above indicates that the department over performed on number of rentals disputes resolved by 13 i.e. 30 planned targets and 43 were achieved. The Department indicated that this was over achieved as more cases were received daily due to public awareness. Thorough inspection of the 1st to 3rd quarter reports vs the APP confirmed that the Department also over achieved on the number of rental disputes which were resolved.

The Department has committed that due to the overachievement of the disputes resolved, 250 disputes will be planned as annual targets for the financial year 2015/16, however, through inspection of the 2015/16 APP confirmed that this is not the case or has not been planned accordingly in the annual performance plan 2015/16.

Title deeds

Furthermore the Department managed to register 1250 (83%) title deeds against the 1 500 planned targets for the 4th quarter; the deviation was by 250. The Department has committed itself that in order to remedy the underperformance two (2) service providers were granted an extension of time to finalise the remaining title deeds registration.

6. Findings

After the interaction with the Department, the Committee found that:

- a) There is poor planning as the Department failed to spend 100% of its allocated budget which resulted to the following roll overs;
 - i. R36.8 million that was received during the second adjustment in March 2015 on the last day of the financial year and impractical to spend the funds. The rollover has been requested for the funding of water projects in

Bushbuckridge Local Municipality as per directive of budget and finance committee;

- ii. R70 million that was received from National Department of Human Settlements in the second week of March 2015, this money was reallocated from the under spending in Limpopo province. The funds are committed for the youth brigade programme in 2015/16 financial year as directed by MINMEC. Also not finalized the securing of serviced sites for the construction of the Military Veteran Houses;
 - iii. R9 million was the balance from the remainder of R24 million funds allocated to assist in the identification of municipalities bulk infrastructure rehabilitation for (Govan Mbeki, Lekwa, Mbombela, eMalahleni and Bushbuckridge local Municipalities;
- b) The Department does not have a beneficiary management policy (still busy with the draft) and promised to finalize it by 30 September 2015; this would prevent the commencement of a contractor with construction, before the approval of the beneficiary subsidies or the payment of a contractor without an approved beneficiary on the system.
- c) The Department has backlogs i.e. projects not completed dating back as far as 2011/2012 financial year at Steenbok (Nkomazi) as it was raised during the Pre-TLP (public hearing);
- d) The Department is not in compliance with the Employment Equity Act (EEA), especially when noting the gender balance at SMS level;
- e) The Department has underperformed in registering title deeds during the period under review;

- f) Written responses for the follow up questions raised by the Committee during the interaction with the Department were not submitted on expected date (18 August 2015) by the Department, which includes the detail report on Basadi construction.

7. Recommendations

After the findings, the Committee recommended that Department must:

- a) Strengthen its planning section and its monitoring systems to prevent under and over spending during 2015/16 financial year before 30 September 2015 by ensuring that:
 - (i) The water project in Bushbuckridge Local Municipality is started by the Department before the end of the second quarter through use of the requested rolled over budget and completed by the end of the financial year 2015/16.
 - (ii) The securing of serviced sites is fast-tracked before end of the second quarter and the construction of the Military veterans houses must have started before the end of the second quarter and completed before the end of the financial year 2015/16.
 - (iii) A progress report on the utilisation of the R9 million which was left from the R24 million allocated to assist in the identification of municipalities bulk infrastructure rehabilitation for (Govan Mbeki, Lekwa, Mbombela, eMalahleni and Bushbuckridge local Municipalities is provided by 30 September 2015;
- b) Ensure that beneficiary management policy is finalized before 30 September 2015 as per the Department's commitment;

- c) Ensure that the backlogs or uncompleted projects are completed before the end of the financial year 2015/16 and ensuring that good contractors are appointed to assist in effectively dealing with the backlogs. Furthermore a progress report indicating completed and uncompleted projects should be submitted to the committee on a quarterly basis.
- d) Ensure that there is compliance with the 2% of people with disabilities and the 50/50 on Senior Management positions as required by the Employment Equity Act.
- e) Ensure that the registering of title deeds is finalized before 30 September 2015 and progress report be submitted with this regard to the committee before the end of the second quarter.
- f) Ensure that a detailed report on the follow up questions which were raised by the Committee during the interaction with the Department is submitted by 31 August 2015.

A progress report should be submitted to the Legislature on or before 30 September 2015

8. CONCLUSION

The Chairperson wishes to express his gratitude to the MEC Hon VS Siwela (in her absence; the HOD and the senior officials of the Department of Human Settlements for their active involvement during the deliberations.

The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations of the 4th quarterly report of the Department of Human Settlements and also thank the Legislature staff for the support they provided to the Committee.

Lastly, the Chairperson requests the august House to adopt the report with its recommendations.

HON. WT MADILENG
CHAIRPERSON: PORTFOLIO COMMITTEE ON
HUMAN SETTLEMENTS AND CO-OPERATIVE GOVERNANCE &
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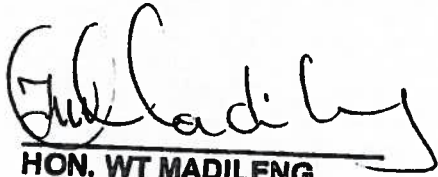
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21/08/2015
DATE