

REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS IN RELATION TO THE 2ND QUARTERLY REPORT HELD ON 03 DECEMBER 2015 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 2nd quarterly report of the Department of Human Settlements (the department) for the 2015/16 financial year, reporting period July - September 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 2nd quarterly report of the Department of Human Settlements to the Committee for consideration and report back to the House.

The Committee interacted with the Department during the deliberations, which were held on 03 December 2015. The analysis questions were sent to the Department and the written responses thereto were submitted to the Legislature.

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), Public Service Commission (PSC) were invited to the meeting.

3. GENERAL OBSERVATIONS BY THE COMMITTEE ON 2nd QUARTERLY REPORT

- ❖ The Department was commended by the Committee for spending within the Treasury bench-mark of 50 %.
- ❖ The Department has overspent by 12.0% for goods and services

4. ANALYSIS ON THE BUDGET EXPENDITURE

The Committee noted that the Department has been allocated a total budget of R 1 677 477 000 for the 2015/16 financial year in order to implement Outcome 8 namely, "Sustainable Human Settlements and Improved Quality of Household life".

SUMMARY OF EXPENDITURE

Programmes	Adjusted Budget	Actual Expenditure of September 2015	Outcome of % (actual expenditure)	Projections Oct 2015- March 2016	(Over)/ Under spending	Outcome of %
	(R'000)	(R'000)		(R'000)	(R'000)	
Administration	120 996	69 689	57.6%	57 286	(5 979)	-4.9%
Housing Needs, Research & Planning	39 585	18 572	46.9%	19 179	1 834	4.6%
Housing Development, Implementation & Target	1 513 077	755 577	49.9%	763 222	(5 722)	-0.4 %
Housing Assets Management	3 819	1 909	50.0%	1 910	-	0.0%
Total	1 677 477	845 747	50.4 %	841 598	(9 867)	-0.6%

The Table above shows that the department has exceeded the Treasury bench-mark by 0.4 % since the Department has spent R 845 747 000 i.e. 50.4% of the total budget.

Two programmes have spent below the Treasury bench-mark of 50% whereas Programme 1: Administration had exceeded the treasury bench-mark by 7.6 % and it has also over spent above the norm of 2%. The Committee wanted to know why the Department exceeded the Treasury bench-mark by 7.6 % for programme 1: Administration. In its response the Department reported that the Department over spent due to budget shortfall as budget of the Department was further reduced by Treasury in the last days of 2015/16 budget submissions. The Department has put an effort on cost curtailment to contain the current overspending.

Economic Classification

Economic Classification	Adjusted Budget (R'000)	Actual Expenditure as end of Sept 2015 (R'000)	Outcome as % budget	Projections to the end of March 2016	(Over)/Under Spending (R'000)	Outcome of %
Compensation of employees	151 937	80 760	53.2%	75 114	(3 937)	-2.6%
Goods and Services	54 523	33 830	62.0%	25 831	(5 138)	-9.4%
Interest and rent on land	-	-		-	-	-
Transfers and subsidies	1 269 017	724 859	57.1%	544 299	(141)	-0.0%
Payments of capital assets	202 080	6 298	3.1 %	196 353	(651)	-0.3%
Payments for financial assets	-	-		-	-	-
Total	1 677 477	845 747	50.4%	841 597	(9 867)	-0.6%

The Committee noted with concern that the Table above reveals that the Department has not been able to adhere to its cost curtailment measures and it is not understandable how the Department overspent on compensation to employees. The Committee also noted with concern that the Department has overspent by 12.0% for goods and services in the face of cost curtailment.

The Committee also noted that on transfers and subsidies exceeded by 7.1 % which was more than the 2 % norm of over expenditure. The Table on economic classification further shows that the Department has underspent on payments for financial assets.

The Committee wanted to know why did the Department exceed the Treasury benchmark of 50% for compensation of employees; goods and services; transfers and subsidies as shown on the Table above. In its response the Department reported that the over spending was due to the fact that Compensation of Employees (COE) was underfunded following the 7% salary adjustment of the bargaining Council. The budget was prepared based on the 6.5% salary increase as guided by Treasury. Adjustments have been made during the November adjustments.

The Committee requested the Department to provide detailed reasons for the under expenditure with regard to payments of capital assets. In its response the Department reported that the payment for capital assets is underspending because of the R200 million that is earmarked for water projects in Mkhondo, Steve Tshwete, Govan Mbeki, eMalahleni and Bushbuckridge Local Municipalities. These projects will be funded in the form of transfer during the third quarter.

The Committee further wanted to know the corrective measures did the Department put in place to prevent both the over expenditure and under expenditure of the budget. In its response the Department reported that the Department will intensify cost curtailment; sign Memorandum of Understanding (MOU) with the relevant Local Municipalities; transfer the funds and monitor the actual implementation of those projects; and budget adjustment has been done to correct over spending on Compensation of Employees.

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. The HOD presented the 2nd quarterly report as it was tabled to the Committee. After the presentation, the Committee welcomed the presentation as made by the HOD. The Committee then interacted as 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. The Committee noted that this programme had 13 planned targets, 10 were achieved, which represents 77% of performance. The target to pay 100% of invoices within 30 days was not achieved; there was a difference of 17 out of 1146 invoices that were not paid (page 3 of 2nd quarterly report).

Summary of sub-programmes

Sub-programmes	Planned Targets	Actual Outputs	%
1. Office of the HOD	1	1	100%
2. CFO	5	4	80%
3. Human Resource Management	3	3	100%
4. Housing Subsidy Scheme	1 target (3500 units)	0 (846 units)	0% (24.1%)
5. Communication & Information Technology	1	0	0%
6. Strategic Planning & Programme	2	2	100%
Total	13	10	76,9%

The Committee noted that the table above shows that Subprogramme 4 (Housing subsidy Scheme) failed to reach the target of 3500 beneficiaries for construction, instead only 846 beneficiaries could be reached; reason for deviation was as a result of the delays by municipalities in submission of forms for potential beneficiaries.

The Committee also noted that the 2nd quarter report shows that one (1) ICT implementation plan was not compiled under the sub-programme communication & Information Technology; reason for deviation was that the appointment of the ICT strategic and operational committees were not finalised, therefore the remedial action is to appoint these committees by the third quarter.

The Committee wanted to know why the Department failed to finalise the appointment of the ICT strategic committee and operational committee to address the ICT implementation plan. In its response the Department reported that the Department had to disband the committees and appoint new members because of poor performance. The Department also reported that the committees are now appointed.

The Committee further noted that this programme was allocated R120 996 000 for the quarter; it spent R69 689 000 or 57.6 %. This is above the Treasury benchmark for second quarter. The Committee requested the Department to provide reasons that led to the programme overspend by 7.6% and why it also spent above the Treasury norm of 2 % permissible for over expenditure. In its response the Department reported that the Department over spent due to budget shortfall as budget of the Department was further reduced by Treasury in the last days of 2015/16 budget submissions. The Department has put an effort on cost curtailment to contain the current overspending.

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 Committee noted that this programme had two (2) planned targets, one (1) target was achieved. The target of certifying 2 602 houses was not achieved, a difference of 297 houses were not certified.

Housing Needs Research and Planning.

Sub-programmes	PLANNED TARGETS	ACTUAL OUTPUTS	%
Technical Management	2611	2321	88,8 %
Total	2611	2321	88,8 %

The programme was appropriated a budget of R39 585 000 for the second quarter. The programme spent R18 572 000 or 46.9 % of the quarter's budget. The programme spent its budget less than the 50% Treasury benchmark. The Committee requested the Department to provide reasons for the underspending in the programme. In its response the Department reported that program 02 underspending is mainly due to cost curtailment in order to fund the over spending in program 01.

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.

Summary of sub-programmes

Sub-programme	Planned Targets	Actual Outputs	%
1. Financial Intervention	3 (82 units)	1 (32 units)	33.3%
2. Incremental Housing Interventions	4 (3620 units)	1 (1522 units)	25%
3. Social & Rental Housing	1	1	100%
4. Rural Housing	5	1	20%
Total	13	4	30.7%

The Committee noted that this programme had 13 planned targets, only 4 targets were achieved, that is 30, 7% performance. The financial interventions subprogramme had planned to subsidize 82 units, however only 32 units were delivered.

The Incremental Housing interventions subprogramme had planned to provide 2100 new households with access to basic services as well as 1 520 housing units. Additionally, the Rural Housing sub-programme suffered a difference of 3 486 in unachieved units as per the sub-programme PPI. The programme was allocated R1 513 077 000 for the second quarter, it spent R 755 577 000 or 49.9%, which is not material underspending.

The Committee also requested the Department to explain the reasons that led to the underperformance. In its response, the Department reported that the under achievements are directly linked to poor performing contractors. An intervention program has been put in place to fast track the delivery and closure of these projects.

The Committee wanted clarity on why the Department failed to spend within the Treasury bench mark of 50 %. In its response, the Department reported that the underspending is due to the R200 million that is earmarked for water projects in Mkhondo, Steve Tshwete, Govan Mbeki, eMalahleni and Bushbuckridge Local Municipalities. These projects will be funded in the form of transfer during the third quarter.

The Committee further wanted to know the corrective measures the Department put in place to prevent the under spending from recurring in the subsequent quarters. In its response the Department reported that the funds have been appropriated for transfer and that they will be gazetted by Provincial Treasury. The projects are already running and appointments were done by the respective municipalities.

5.4. PROGRAMME 4: HOUSING ASSET MANAGEMENT

The purpose of this programme is to facilitate assets management. The Committee noted that this programme had 2 planned targets, 1 target was achieved, and this represents 50% performance. The programme failed to register the planned 2500 title deeds; only 1 570 title deeds were registered. Moreover, 88 rental disputes were resolved against the planned 55.

Summary of targets in programme 4

Performance Indicators	Planned Targets	Actual Outputs	%
1. Title Deeds registered	2500	1 570	62,8%
2. Rental Disputes resolved	55	88	160%
Total	2 555	1 658	64,8 %

The programme was allocated R3 819 000, it spent R1 909 000 which is 50.0% expenditure as at the 30th September 2015. The Department was requested to share with the Committee how it over achieved its planned targets for performance indicator on rental disputes resolved yet it did not exceed its budget for the programme.

In its response the Department reported that targets under this program are based on estimates as they are demand driven. There is also no direct relation between achievements in dispute resolution and amount spent. The main cost drivers in this process are salaries paid to employees and sitting allowances paid to Board Members. The more cases resolved in any sitting the more the achievements.

6. Findings

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

- a) Has spent R845 747-00 from its allocated budget of R1 677 477-00, which is within the treasury benchmark of 50%;
- b) Programme 1 – Administration has exceeded the treasury benchmark by 7.6% due to budget shortfall as the budget of the Department was further reduced by Treasury in the last days of 2015/16 budget submissions.
- c) Has overspent on the Compensation of Employees although implementing the cost curtailment measures. The Department cited that the over spending was due to the 7% underfunded salary adjustment of the bargaining Council. The budget was prepared based on the 6.5% salary increase as guided by Treasury. Adjustments have been made during the November adjustments, thus the overspending;
- d) Has underspent on the Payment of Capital Assets because of the R200 million that has been earmarked for water projects in Mkhondo, Steve Tshwete, Govan Mbeki, eMalahleni and Bushbuckridge Local Municipalities;
- e) Failed to certify 2 305 houses from the planned target of 2 602. The Department managed to certify only 297 houses on Programme 2, Housing needs, Research and planning;
- f) The Department has not finalised the ICT strategic committee and operational committee to address the ICT implementation plan.
- g) Failed to register the planned target of 2 500 title deeds; only 1 570 title deeds were registered.

7. Recommendations

After the findings, the Committee recommended that the Department must:

- a) Ensure that it sustain its spending pattern of adhering to the treasury benchmark in the 3rd quarter.
- b) Strengthen its monitoring system/unit to prevent further over expenditure on programme 1; in the coming quarters (3rd and 4th quarter).
- c) Strengthen its planning section and monitoring system to prevent the re-occurrence of overspending on the Compensation of Employees.
- d) Provide reasons for under spending on Payment of Capital Assets regarding the R200 million that has been earmarked for water projects in Mkhondo, Steve Tshwete, Govan Mbeki, eMalahleni and Bushbuckridge Local Municipalities; also ensure that the monitoring system is strengthened to prevent any under or over expenditure. A progress report on the water projects must be submitted before or by 31 March 2016.
- e. Ensure that the 2 305 houses that were not certified are finalised before the end of the financial year. A progress report, include reasons led to the failure must be submitted to the Legislature before or by 31 March 2016.
- f. Ensure that the ICT Strategic Committee and the Operational Committee is finalised in order to address the ICT implementation plan by 31 March 2016.
- g. Ensure that all the title deeds are registered as planned before the end of the financial year and a progress report is provided by 31 March 2016.

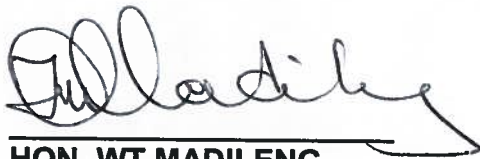
A progress report should be submitted to the Legislature on or before 11 March 2016

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 on the second quarterly report of the Department.

The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations of the 2nd 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 &
TRADITIONAL AFFAIRS

17/02/2016
DATE