

REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS IN RELATION TO THE 3rd QUARTERLY REPORT OF THE DEPARTMENT OF HUMAN SETTLEMENTS – MEETING HELD ON 23 MARCH 2017

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 (MEC) 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 3rd quarterly report of the Department of Human Settlements (the Department), for the 2016/17 financial year, reporting period October - December 2016. Interaction with the department was aimed at assessing the Department's performance for the quarter.

2. METHOD OF WORK

The Honourable Speaker referred the 3rd quarterly report of the Department of Human Settlements to the Committee for consideration and report back to the House. On 07 March 2017, the Committee was briefed by the researcher on the 3rd quarterly report of the Department. The Committee interacted with the Department during the deliberations, which were held on 23 March 2017. 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. Subsequently, the Committee considered and adopted its report on 29 March 2017.

3. GENERAL OBSERVATIONS BY THE COMMITTEE ON 3rd QUARTERLY REPORT

- ❖ The HOD, Mr K Masange tendered an apology, due to family bereavement.
- ❖ The 3rd quarterly report of the Department is aligned with its 2016/2017 Annual Performance Plan.
- ❖ The Department has spent about 81% as at 23 March 2017.
- ❖ The Department had under performed in two programmes which are Programme 2 by 11% and Programme 3 by 33%.
- ❖ The payment of invoices within 30 days is at 99.01%.
- ❖ The Department has not finalised the evaluation process as set out in the procurement plan (not adhered to time-frames).
- ❖ The Department has embarked on road shows in the three Districts Municipalities where issues of land acquisition, illegal occupation and identification of beneficiaries were discussed.

4. ANALYSIS ON THE BUDGET EXPENDITURE

The Committee noted that the Department has been allocated an adjusted total budget of R1 979 852 0000 for the 2016/17 financial year. The Departmental budget increased by R97 744, from R1 882 108 000 to R 1 979 852 000. The Department has spent R1 127 811 000.00 which is at 57% with only 17 targets achieved out of 39 planned targets.

Expenditure per programme

Programme	Budget appropriated R' 000	Amount spent on 31 December R' 000	% Spent
Administration	130 053	101 943	78.4%
Housing needs, Research and Planning	37 765	28 884	76.5%
Housing development	1 812 034	996 984	55.0%
Housing asset management	-	-	-
Total	1 979 852	1 127 811	57%

Financial Analysis

The Committee noted that Department of Human Settlements budget allocation was adjusted from R 1 882 108 000 to R 1 979 852 000 which was an increase of R 97 744 000). The Committee was also concerned that Department's spending needs improvement because the Department may not be able to spend its entire allocated budget by the end of the financial year. The Department was requested to assure the Committee that the allocated budget will be used to deliver the set plans by the end of the financial year. In its response, the Department reported that it has appointed additional contractors with high capacity during the third quarter to accelerate delivery which will expedite spending on the set plans but the Committee was not satisfied with the response provided by the Department.

The Committee also wanted to know why the Department was unable to have a budget allocation for Programme 4; how did it achieve its planned targets if there was no budget allocation. The Department reported that the budget for programme 4 was sourced from Human Settlements Development Grant (HSDG), which is placed under Programme 3. Initially the budget provision was made for programme 4 (towards transfers Housing Association) which was later reprioritized for other programmes as part of budget adjustments.

The Committee should also note that this has since been aligned to the new structure for implementation in terms of relevant programme functions.

Spending against the projected amount

Projected amount R'000	Amount transferred R'000	Amount spent R'000	% spent at the end of the 3 rd quarter
R 400 329	R 532 930	R 409 754	76.9%

The Department was commended for spending all what they have projected to spend at the end of the third quarter.

5. BROAD OVERVIEW BY THE MEC

The Honourable MEC appreciated the opportunity to appear before the Committee to report on 3rd quarterly performance of the Department. The MEC, Mr SK Mashilo reported that the mandate of the Department of Human Settlements derived from the Constitution of the Republic (Act 108 of 1998), Section 26 (1) – (3) of the Bill of Rights to be specific, states as follows: that everyone has the right to have access to adequate housing.

The state must take reasonable legislative and other measures within its available resources, to achieve the progressive realisation of this right and no one may be evicted from their home, or have their home demolished without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions.

The MEC also reported that in order to give effect to this stipulation of the Constitution, the National Department then developed Outcome 8 Delivery Agreements on Sustainable Human Settlements and Improved Quality of Household Life.

The Department is also striving towards the realization of the mandate; and also building on the foundation of aspirations recorded in the Freedom Charter, the White Paper on Housing, the Housing Act and the Comprehensive Plan for the creation of Sustainable Human Settlements.

The Department of Human Settlements therefore takes its queue, from the State President's 2009 State of Nation Address, where he gave a confirmation that Human Settlements' future in South Africa must at least consist of; Development of suitable located and affordable housing (shelter) and decent human settlements; an understanding that human settlements is not just about building houses; transforming our cities and towns (moving towards efficiency, inclusion and sustainability); and building cohesive, sustainable and caring communities with improved access to work and social amenities, including sports and recreation facilities (community development and optimal access/inclusion). He also indicated that the Third Quarter performance report of the Department gives an account of what has been done for the period 1 October 2016 – 31 December 2016 as per the approved Annual Performance Plan of 2016/2017. The MEC reported that through this submission, the Department tried to deliver in terms of the mandate, amidst the shortage of human resources.

The Department has in the main succeeded in the filling of the critical senior vacant positions, although the position of the Chief Financial Officer (CFO) is still vacant, but will be filled in the near future. The MEC further indicated that the Department has developed an acceleration plan for the programmes that seem to be behind schedule. He further indicated that as an intervention measure, the Department has come up with a turnaround strategy that will see the Department's spending increasing before the end of the financial year. Amongst others, the Department has been able in the third quarter to hand over the 500 houses that were built for the residents of Lekwa Ext 8 in the Gert Sibande District, City of Mbombela, Tekwane North Ext 1, in the Ehlanzeni District. A programme for the handover of title deeds to the remaining households has also been developed.

The MEC also reported that 700 title deeds were handed over to the community of Mkhondo Local Municipality on Human Rights day and that the Department will also hand over the tile deeds to Victor Khanye Local Municipality.

The MEC also reported that the Department held a meeting with all appointed contractors where it was clearly explained that contractors who do not honour their contracts will have their scope reduced, and the work reallocated to other capable contractors. The MEC assured the Committee that this measure, will amongst others, see the spending of the Department improving and succeeding in the delivery of sustainable human settlements on time, as per its mandate. The MEC also reported that the Department is also planning a one day strategic workshop that will assist some of the contractors to avoid poor workmanship. As a measure to accelerate service delivery, the Department has embarked on road shows in the three districts municipalities where issues of land acquisition, illegal occupation and identification of beneficiaries were discussed.

The outcome of the road shows indicated that an integrated approach between municipalities and various Departments has to be devised which will see a holistic provision of integrated and sustainable services to the communities. He indicated that a lot still needs to be done in addressing the issue of asbestos roofing.

The Department is working on the requests by various municipalities to move some units to areas already approved for settlements. In his conclusion the MEC, indicated that the structure of the questions that are posed by the Committee always brings the best out of the team of the Department as these sessions are key to the improvement of services delivery; without such sessions, the communities will endlessly wait for their lives to be improved.

The MEC indicated that the questions which are posed by the Portfolio Committee Members also assist the Department in the enhancement of the quality work of the department.

The MEC then requested the Acting HOD, Mr Doctor Nkosi to provide a detailed presentation on the performance of the Department during the 3rd quarter of 2016/17 financial year.

6. PRESENTATION BY THE ACTING HEAD OF THE DEPARTMENT AND INTERACTION ON THE MAIN PROGRAMMES

The Acting HOD, Mr Doctor Nkosi briefed the Committee on the 3rd Departmental Quarterly Performance report for 2016/17 financial year. The Committee welcomed the presentation thereafter deliberated programme per programme.

6.1. PROGRAMME 1 – ADMINISTRATION

The purpose of the programme is to provide strategic administrative and management support to the Department in terms of Political and Administrative guidance, financial management, security management, legal services, human resource management, transversal services, planning and programme management, communication and IT, stakeholder management and employee health and wellness. The Committee noted that Department planned to achieve 19 targets and achieved 12 targets which translate to 68% at the end of the third quarter. The financial spending is standing at 77.8% at the end of December 2016. The programme indicates that it has slowed down its performance in its third quarter.

The Committee requested the Department to provide reasons that led to the slow performance during the third quarter; and the corrective measures thereof. The Department in its response, reported that the slow-down in performance was caused by the error made in the numbering of the targets, where there were 17 targets instead of 19 achieved, the targets achieved amounted to 13 out of the 17, which constitute 76.5%. The variance in the slow-down was also as a result of the same targets which were not achieved in the previous quarter.

Information and Communication Technology (ICT)

The Committee noted that the Department could not achieve the target of developing the ICT Strategy and its implementation plan. The Committee emphasized that ICTs have turned globalizing world economy into a knowledge economy, where access to information and knowledge becomes the key determinant of the extent to which individuals, communities, societies and whole regions can shape their own lives and compete for jobs and services. In its response, the Department reported that; the lack of ICT strategy has had a negative impact on the intended communication of departmental housing delivery instruments to the general public and assured the Committee that the draft ICT strategy will be finalised in the fourth quarter. Currently, the public has access to information through the departmental website, events, radio jingles and leaflets on an ad -hoc basis.

Spending per economic classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	R 86 195	64 398	74.7%
Goods and services	R 41 570	34 576	83.2%
Total transfers and subsidies	R 230	R 306	133%
Payment for capital assets	R 2 058	R 2 663	129.4%
Total	R 130 053	R 101 943	78.4%

The Committee noted that the programme was allocated R 130 053 000 and at the end of the third quarter the spending was at R 101 943 000 and this is equivalent to 78.4%. The classifications that over spent its budgets are transfers and subsidies; as well as the payment for capital assets which spent 133% and 129.4% respectively. The Department was requested to provide reasons that led to the overspending.

The Department reported that the overspending on transfers and subsidies relate to spending on pensions emanating from resignations and deaths which were unforeseen, budgetary allocations were informed by baselines from the previous year.

The overspending on capital assets relates to the tools of trade (vehicle) procured for the Executive Authority, as the old vehicle had reached its limit on kilometers according to the Ministerial hand book. Subsequent the overspending on the two items, the Department has introduced cost curtailment measures to realize savings from other programmes to off-set the spending. Savings were realised from Programme 4 within the budget that was earmarked for Housing Associations which amounts to R 3 million.

6.2. PROGRAMME 2: HOUSING NEEDS, RESEARCH AND PLANNING

The purpose of the programme is to facilitate and undertake housing delivery planning through engineering services; quality control and inspections; project information management; research, project planning implementation and monitoring.

The Committee noted that this programme planned to achieve nine (9) targets at the end of the third quarter but only one (1) target was fully achieved which translates to 11% planned target achievement. The table below indicates how the Department performed on the planned targets at the end of the quarter.

Planned Target	Performance of the Department	Remarks
2 068 units certified with no defects	954 units certified with no defects	Target not achieved
2 835 sites serviced	2385 sites certified	Target not achieved
10 projects enrolled with NHBRC	1 projects enrolled	Not achieved
Approved 2017/18 Human Settlements Business Plan	Approval done in fourth quarter of 2016/2017	Not Achieved
14 municipalities	17 municipalities	Achieved
1 draft research report	No research report compiled	Not achieved

Consultation with relevant stakeholders	Consultation on the 2 nd draft policies not done	Not Achieved
Bulk earth and installation of bulk pipes	87% work done at Siyanqoba, laying of pipes at Ogies, excavation at Pine Ridge and Klipspruit	Not achieved
Installation of 30 High Mast Lights	Service Level Agreement (SLA) signed between the Department and municipality, briefing conducted at Ehlanzeni	Not achieved

The Committee also requested the Department to provide a plan that will seek to achieve all the nine planned targets of the programme. The Department reported that an acceleration plan had been developed in order to fast-track the delivery of projects and having continuous engagements with contractors. The Department has further established a crack team headed by the Chief Directors as an intervention to monitor performance and provide guidance at a district level in order to speed-up service delivery. The impact will be measured after the fourth quarter.

Additional Contractors

The Committee requested the Department to indicate whether additional contractors were appointed to assist in the speedy delivery of housing units. The Department reported that additional contractors were appointed in the third quarter, also commenced with work in the fourth quarter in order to fast track the delivery of housing units, the action was taken due to the fact that some of the contractors were not performing with the required due diligence. Having added new contractors to fast-track service delivery; the Committee wanted to know whether the department would meet its planned target (completing housing units) by the end of the reporting financial year).

The Department reported that as of end of February 2017, the Department had only managed to complete 3 200 housing units, however the Department is aware of the challenge that lies ahead, the Department will ensure that targets that are set for the 2017/2018 financial year are met including the number of housing units that should have been completed in the 2016/17 financial year.

The Department further reported that proper plans and tools will be put in place to ensure that the 2017/18 targets are realized. It will also be important to note that the contractors that were appointed late in the financial year did improve the performance but could only complete a certain number of milestones due to time constraints.

2017/2018 Human Settlements Business Plan

The Department was requested to explain to the Committee the planned target approved 2017/18 Human Settlements Business Plan which accordingly is not achieved and the explanation of the deviation speaks the contrary. The Department in its response indicated that the final business plan is due for submission and to be approved in the fourth quarter. The Department acknowledged an error of stating that a final business plan was to be finalized in the third quarter. The Department also notes the input made by the committee to formalise errors, therefore in future the Department will review and correct any errors made in the Annual Performance Plan (APP) before approval and tabling to Legislature.

Installation of 30 High Mast Lights

The Committee raised a concern that most community members raised their concerns on the High Mast Lights that have been installed but not functioning. The Committee further wanted to know why the Department was unable to reach its target of the installation of the 30 High Mast Lights.

Spending per economic classification

Economic classification	Adjusted Budget R' 000	Actual Spent R' 000	% Of Budget Spent
Compensation of employees	33 013	25 591	77.5%
Goods and services	4 654	3 196	68.7%
Transfer and subsidies	98	97	99.0%
Total	37 765	28 884	76.5%

6.3. PROGRAMME 3: HOUSING DEVELOPMENT

The programme's purpose is to provide individual subsidies and housing opportunities to beneficiaries in accordance with the housing policy. The programme has nine (9) planned targets which were supposed to be achieved at the end of the quarter and only three (3) targets were fully achieved at the end of the quarter which translates to 33.3% performance.

Planned targets	Targets achieved	Remarks
31 Housing Subsidies provided through Financial Intervention Programme	None	Not achieved
4 new sustainable Integrated Human Settlements	7 township establishment approved	Achieved
2 835 service sites delivered	2 668 sites delivered	Not achieved
2 148 housing units delivered	1 017 units delivered	Not achieved
410 rural housing units	11 units provided	Not achieved
53 housing units built for Military Veterans	24 units delivered	Not achieved
2 642 residential units delivered	1 052 units delivered	Not achieved
5 477 units	3 720 housing opportunities	Not achieved
2 300 work opportunities	2 300 work opportunities	Achieved

The Committee also noted that the Department could not achieve the 31 units planned target on the number of residential units to be delivered in individual housing subsidies. The Committee acknowledged that the objective of the subsidy is to reduce the initial mortgage loan amount to render the monthly loan repayment installments affordable over the loan payment term; households whose income range is R3 501 to R15 000 and are South African citizens qualify for the subsidy. The Committee wanted to know how the planned target is advocated to qualifying beneficiaries for awareness purposes. The Department reported that once the beneficiaries are approved, the Departmental monitors/beneficiary managers in conjunction with municipalities conduct roadshows and consumer education workshops for both public and private sector institutions to provide awareness for the instrument. The Committee was not satisfied with the response provided but indicated that the Department should conduct roadshows and consumer education workshops first then the beneficiaries can be approved.

The Committee wanted to know if there are any stated conditions for one to qualify either than the income bracket. The Department reported that there are stated conditions other than the income bracket. The Department reported that for the Financial Linked Individual Subsidy Programme (FLISP) the applicant must inter alia be approved for a home loan from a financial institution; the applicant must be a South African Citizen, be married or if single have dependents, applicant must not have owned fixed property and must not have received a housing subsidy in the past.

The Committee requested clarity on what is the application rate of qualifying beneficiaries as a percentage. The Department in its response reported that during the third quarter 3 157 applications were received of which 2 266 were approved (72%). Some failed the electronic searches (UIF, NRSDB, Persal, Deeds, Population etc.), or were procedurally incorrect etc. Other forms received towards the latter end of the third quarter are still being processed.

Tekwane South

The Committee noted that the 513 units planned to be achieved at the end of the quarter were not achieved, only 273 units were delivered. A project of 250 units at Tekwane South is on hold due to unavailability of bulk infrastructure in the area. The Committee needed an assurance from the Department that the project at Tekwane South would resume as planned. The Department reported that one of the major issues affecting project progress is the need for the required bulk infrastructure, as a mitigating measure the Department has contributed R 25 million towards bulk infrastructure provision. The Committee also wanted to know the role expected to be played by the City of Mbombela towards achieving the project which is held in abeyance and how far has the municipality assisted in this regard. The Department reported that the bulk sanitation project to the value of R 67 million is currently under way at Tekwane South.

The Municipality will be expected to cover the balance as engaged, and they have made a positive commitment on this matter. However, the Department is awaiting a written commitment. The Committee wanted to know the impact of the reprioritization of the funds which were budgeted for the project of Tekwane South towards service delivery of the area. The Department reported that the funding of the bulk infrastructure will unlock the 754 housing opportunities in the area, which encompasses Financial Linked Individual Subsidy Programme (FLISP), Integrated Rural Development Programme (IRDP), Peoples Housing Programme (PHP) and social amenities and hence provide the needed housing opportunities to the communities around the area. The Committee noted that on the target 410 units (number of rural housing units provided) only 11 were achieved and reasons range from unavailability of material from local suppliers and rocky areas.

The Committee further wanted to know if there is any role played by the Department in collaboration with municipalities when identifying areas for development of residential sites.

The Department indicated that there is a dedicated team of Town Planners and Beneficiary Managers who work in collaboration with municipalities in all housing delivery instruments. The Committee also noted that 53 units were planned to be built for military veterans at the end of the quarter and only 24 units were delivered. The reasons advanced relate to slow progress by contractors. The Committee commends the work done thus far and understands that this is also a National Department Competency responsibility. The Department is encouraged to continue to work with the National Department in order to ensure that the military veterans are assisted in receiving the units as planned.

Spending per economic classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	R 50 817	R 38 834	76.4%
Goods and services	R 4 516	R 4 516	100.2%
Total transfers and subsidies	R 1 756 701	R 953 624	54.3%
Payment for capital assets	-	-	-
Total	R 1 812 034	R 996 984	54.3%

6.4. PROGRAMME 4: HOUSING ASSET MANAGEMENT

The programme exists in order to provide for the effective management of housing. The programme had two planned targets which should have been delivered but at the end of the third quarter, one was achieved which translates to 50%, performance. The Committee also noted that there was no budget allocation of the programme for the quarter to perform its function.

Planned Targets	Performance of Department	Remarks
4 000 title deeds	2 429 title deeds registered	Not achieved
75 rental disputes resolved	113 disputes resolved	Achieved

Title Deeds

Noting that the planned target to achieve 4 000 title deeds was not achieved, The Committee wanted to know of any plan in place to ensure that more title deeds are registered. In its response, the Department indicated that there is a plan to fast-track the delivery of title deeds and it is also a national priority. The Department also indicated that the plan includes the establishment of a dedicated Chief Directorate to manage the delivery of title deeds; secondly the appointment of additional conveyancers to speed up the processing of title deeds delivery as it was also reported in the second quarter.

The Department further reported that the additional capacity in the Department to finalise the township establishment processes through the opening of township registers and proclamation hence to date delivery is at a total of 6 736 out of 15 000 title deeds issued which constitutes 45%.

7. Findings

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

- a) May not be able to spend its entire allocated budget by the end of the financial year on account of the fact that by 23 March 2017 the expenditure was at 81%.
- b) Has appointed additional contractors with high capacity during the third quarter to accelerate service delivery.
- c) The Department failed to finalise the Information Communication Technology (ICT) strategy that has had a negative impact on the intended communication of Departmental housing delivery instruments to the general public.
- d) The Department has not achieved on the approved 2017/18 Human Settlements Business Plan as planned and indicated that it will be finalised in the fourth quarter.

- e) The Department does not have a beneficiary tracking system.
- f) The Department project of 250 units at Tekwane South is on hold due to unavailability of bulk infrastructure in the area; even though the Department has contributed R25 million towards the provision.
- g) The Department has a project to the value of R 67 million at Tekwane South and the City of Mbombela is also expected to cover the balance of the Project.
- h) The Department still to hand over the title deeds to the remaining households that were not achieved during this quarter.

8. Recommendations

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

- (a) Ensure that the balance of 19% is spent by 31 March 2017. A progress report to be submitted to the Committee by 30 April 2017.
- (b) Ensure that monitoring and evaluation is done in order to fast track not compromising quality, speed-up service delivery and the performance. A progress report to be submitted by 30 April 2017.
- (c) Ensure that the Information Communication Technology (ICT) strategy is finalised in the fourth quarter. A progress report to be submitted by 30 April 2017.
- (d) Must ensure that the 2017/2018 Human Settlements Business Plan is finalised as planned in the fourth quarter. A progress report to be submitted by 30 April 2017.

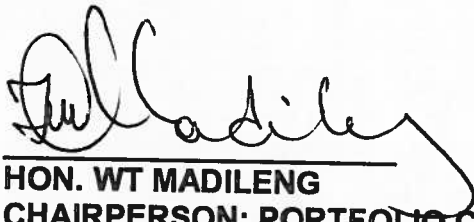
- (e) Develop and continuously update a beneficiary tracking system. A progress report to be submitted on a quarterly basis.
- (f) Must ensure that the project of 250 units at Tekwane South (bulk infrastructure) is closely monitored, time frames are adhered to and that a progress report be submitted to the Committee by 30 April 2017.
- (g) Must ensure that the project to the value of R 67 million at Tekwane South is closely monitored and that progress report be submitted to the Committee by 30 April 2017 on how the City of Mbombela is also expected to cover the balance of the Project.
- i) Ensure that the remaining title deeds are issued to the relevant beneficiaries by the 30 April 2017. A detailed progress report to be submitted to the Committee indicating the breakdown of title deeds in terms of municipalities.

A progress report should be submitted to the Legislature on or before 30 April 2017

9. CONCLUSION

The Chairperson wishes to express his gratitude to MEC SK Mashilo, the Acting HOD, Mr. D Nkosi and the senior officials of the Department of Human Settlements. The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations of the 3rd 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

29/03/2017
DATE