

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 18 MARCH 2016

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 3rd quarterly report of the Department of Human Settlements (the department) for the 2015/16 financial year, reporting period October - December 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 3rd quarterly report of the Department of Human Settlements to the Committee for consideration and report back to the House.

On 09 March 2016, 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 18 March 2016. 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 3rd QUARTERLY REPORT

- ❖ The Department has spent **R537 934** or 29. 5% of the total adjusted budget.
- ❖ The Department has underspent on all programmes, ranging from 23, 9% to 30.1% for this quarter.
- ❖ The Committee noted that two (2) Chief Directors; Mr Awogu and Mr Shipalana are currently on suspension due to allegations of financial misconduct.
- ❖ The Department submitted an updated progress report on the 2nd quarterly report of 2015/16 financial year
- ❖ The programme overachieved on the number of units to be built for Military Veterans; twenty three (23) units were built compared to the twelve (12) that were planned.
- ❖ There was a Ministerial Directive to discontinue the funding of Housing Chapters, thus this was not budgeted during 2015/16 financial year.

4. ANALYSIS ON THE BUDGET EXPENDITURE

The Committee noted that the Department has been allocated a total budget of **R1 677 477 000** for the 2015/16 financial year, the budget was adjusted to **R1 818 185 000** in

order to implement Outcome 8 namely, "Sustainable Human Settlements and Improved Quality of Household life".

SUMMARY OF EXPENDITURE

Programmes	Adjusted Budget	Actual Expenditure as at December 2015	Outcome of % (actual expenditure)	Projections 01 January 2016- 31 March 2016	(Over)/ Under spending	Outcome of %
	(R'000)	(R'000)		(R'000)	(R'000)	
1. Administration	124 703	29 925	23.9%	29 630	(4 542)	-3.6 %
2. Housing Needs, Research & Planning	36 585	8 930	24.4%	7 922	1 389	3.2%
3. Housing Development, Implementation	1 653 078	498 124	30.1%	399 584	(207)	0.0 %
4. Housing Assets Management	3 819	955	25.0%	955	-	0.0%
Total	1 818 185	537 934	29.5%	438 091	(3360)	

The Table above shows that the Department was appropriated a total budget of R1 677 477 000 for the 2015/16 financial year, the budget was adjusted to R1 818 185 000. The Department has spent R537 934 or 29.5% of the total adjusted budget. All programmes underspent, ranging from 23,9% to 30.1% for this quarter.

Economic Classification per programme

	Main Budget (R'000)	Adjusted budget (R'000)	Expenditure as at 31 Dec 2015 (R'000)	Outcome as per Budget (%)
Compensation of Employees	79 593	81 300	19 998	24.5%
Goods and services	39 367	41 254	9 208	22.3
Transfers and subsidies	36	149	2	1.3%
Payments for capital assets	2 000	2 000	717	35.8%
Total	120 996	124 703	29 925	23.9%

The budget for programme 1 was adjusted from R120 996 000 to R124 703 000 in the third quarter. The amount spent R29 925 000, which translates to 23.9% expenditure for the programme.

The adjusted budget for Compensation of Employees is R81 300 000, R19 998 000 or 24.5% was spent as at 31 December 2015, Goods and services was adjusted to R41 254 000 and amount spent was R9 208 000 or 22.3 %, transfers and subsidies was adjusted to R149 000 and has spent R2 000 000 or 1.3%, Capital Assets spent R717 000 or 35.8% of the R2 000 000 budget.

The Committee wanted to know on what are the reasons that led to such a dismal under expenditure in this quarter. In its response the Department reported that the cumulative expenditure for this quarter reflect an over expenditure of minus - 3.6%.

Capital Assets

The Committee wanted to know the reason for the adjustment of R652 000 on Capital Assets, when there was not even a budget to start with. The Department indicated that the provision of R 652 000 was made to pay for the retention fee in respect of bulk infrastructure projects at eMaphepheni and it has been all spent to date.

5. BROAD OVERVIEW BY THE MEC

The Honourable MEC appreciated the opportunity to appear before the Committee to report on the 3rd quarterly performance of the Department. She reported that the Department has been mandated to drive or lead outcome 9 which deals with a responsive, effective and efficient local government system. The Hon MEC indicated that the above outcome consists of the following five (5) sub outcomes:

- ❖ Sub outcome 1: Members of the society have sustainable and reliable access to basic services;

- ❖ Sub outcome 2: Intergovernmental and democratic governance arrangements for a functional system of co-operative governance and participatory democracy strengthened;
- ❖ Sub outcome 3: Sound Financial and administrative management;
- ❖ Sub outcome 4: Promotion of social and economic development;
- ❖ Sub outcome 5: Local public employment programmes expanded through the Community Work Programme.

She further indicated that the Department developed its Annual Performance Plan for the current financial year which is aligned to the above outcome and sub outcomes and was subsequently approved by the Legislature through the guidance and support of the Portfolio Committee. The MEC reported that, the Department is trying its level best to stick to the Annual Performance Plans as also outlined by the Premier state of the Province Address.

The MEC reported that the Medium Term Strategic Framework (MTSF) targets for the Department of Human Settlements are as follows;

MTSF Priority	Annual Target	3rd Quarter Target	3rd Quarter Achievement
Informal Settlements Upgrading Human Settlements Development Grant (HSDG)-Servicing of Sites	8 260 Sites	2 700 Sites	20 36 Sites
Finance Linked Individual Subsidy Programme (FLISP) – Gap Market	100 Units	30 Units	10 Units
Social Housing	70 Units	0 Units	0 Units
Individual Housing Subsidies	9 301 Units	2 640 Units	3 392 Units
Community Residential Units (CRU)	96 Units	0 Units	0 Units
Title Deeds	10 000 Title Deeds	2 500 Title Deeds	1 310 Title Deeds

Number of Jobs Created	2 300 Jobs	575 Jobs	0 Jobs
Total Housing Opportunities (Excluding Title Deeds and Jobs)	17 561	4 702	2 833

In her conclusion she requested that the HOD to provide detailed presentation on the performance of the Department during the third quarter of 2015/16 financial year.

The MEC further indicated that she is requesting the Legislature to continue with the Taking the Legislature to the Peoples Programme (TLP) because it's also assist the Department to understand the positive and the negative impact as raised by the communities that are visited within the Province.

She indicated that from the statistics presented, it is clear that the Department is on course to achieve its annual targets in the area of FLISP (Gap Market). The Department will still pay attention and improve in this category.

6. 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 3rd 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.

6.1. PROGRAMME 1 - ADMINISTRATION

The purpose of the programme is to provide strategic administrative and management support to the department, under the strategic objective to improve organizational performance to 100% by 2020.

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	1	1	100%
4. Transversal Services	1	1	100%
5. Housing Subsidy Scheme	1 (3500 units)	0 (846 units)	(24.1%)
6. Communication & Information Technology	1	0	0%
7. Strategic Planning & Programme	2	2	100%
8. Legal Services	1	1	100%
Total	13	11	84.6%

The Committee noted that Programme 1 had thirteen (13) planned targets for the third quarter, eleven (11) targets were achieved, and this translates to 84, 6% performance. The Department reported that it did not achieve the planned target to pay 100% invoices within thirty (30) days due to tax clearance expiration, instead 98,99% were paid off. Furthermore, under the Housing Subsidy Scheme sub-programme, 873 out of 2500 subsidies were approved for construction. The reason for failure was that municipalities delayed in submission forms for potential beneficiaries.

Transversal Services

The Committee wanted to know what constitutes the 30% and 10% earmarked for women and youth owned contractors and its budget thereof. In its response the Department reported that the 10% and 30% target for youth and women, respectively, refers to the total percentage of the Human Settlements Development Grant budget to be allocated to youth and women owned companies. Therefore, an amount of R128 000 000 and R 394 393 500 has been allocated to youth and women contractors respectively. The Committee further needed clarity on the financial implications for

over/under achievements and the impact on the termination of underperforming contractors. The Department indicated that there is no negative impact as terminated units from contractor A are given to contractor B for completion of the original targeted units.

Housing Subsidy Schemes

The Committee enquired about the plan to be put in place to ensure that municipalities submit application forms in time; and how the late submissions of forms will be dealt with. In its response the Department reported that the beneficiary managers who are stationed at the District Offices have intensified their interaction with municipalities; Departmental teams will also support them in their interaction with potential beneficiaries to fill in the subsidy application forms.

Regarding the late submission of forms, the Department will utilize the Housing Needs register to identify the potential beneficiaries and together with the municipalities, fill in the subsidy application forms for these beneficiaries.

The Committee also noted that the 2nd quarterly report showed 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 Department also reported that the committees are now appointed.

6.2. PROGRAMME 2: HOUSING NEEDS, RESEARCH AND PLANNING

The purpose of the programme is to facilitate and undertake housing delivery planning, under the strategic objective to deliver 100% quality human settlements projects.

Programme 2: Housing Needs Research and Planning.

Sub-programmes	PLANNED TARGETS	ACTUAL OUTPUTS	%
1. Technical Management	2677 units	3680	137.4%
2. Housing needs research and planning	1 Draft	1 draft	100%
Total	2678	3681	72.7%

The Committee noted that Programme 2 had 2678 planned targets for the third quarter, 3681 targets were achieved and this translates to 72.7% performance. However, the target to enroll (seven) 7 projects with National Homebuilders Registration Council (NHBRC) under Technical Management sub programme was not achieved; no project was enrolled with NHBRC. The reason thereof was that some projects' documents were missing e.g. geotechnical reports.

Record keeping system

The Committee wanted to know if the Department has a record keeping system, as it was reported that projects document went missing; and what measures have been put in place to prevent the re-occurrence of such in the near future. The Department reported that it does not have a record keeping system. There was also outstanding information on the Geo Technical reports hence the reports were turned back for corrections.

6.3. PROGRAMME 3: HOUSING DEVELOPMENT

The purpose of the programme is to provide individual subsidies and housing opportunities to beneficiaries in accordance with the housing policy. Programme 3 had 14 009 planned targets for the third quarter, 12 596 targets were achieved and this translates to 89.9% performance.

Summary of sub-programmes

Sub-programme	Planned Targets	Actual Outputs	%
1. Financial Intervention	80 units	43 units	53.7%
2. Incremental Housing Interventions	4255 units	2759 units	64.8%
3. Social & Rental Housing	4	4	100%
4. Rural Housing	9668	9790	101.2%
Total	14 007	12 596	89.9%

The Committee noted that under the Financial Interventions sub-programme, twenty (20) residential units to be delivered in individual housing subsidies were not attained, only (seven) 7 were delivered and this is due to slow receipt of applications from municipalities; ten (10) of thirty (30) financial link individual subsidies were approved and disbursed and this is due to non-receipt of applications from qualifying beneficiaries.

Housing Development

The Committee noted that this programme planned to produce eighteen (18) second drafts Housing Chapters, this was not attained but only nine (9) were approved, and reason for failure was reported to be the lack of financial and human resources in municipalities to execute this function. The Committee requested the Department to explain the plan being implemented by the department to ensure that relevant and qualified human resources to execute the production of housing chapters are sourced. In its response, the Department reported that it has received a Ministerial Directives to discontinue funding housing chapters. The Department further reported that the target was not budgeted for in this quarter.

Military Veterans Houses

The programme also overachieved on the number of units that have been built for Military Veterans by twenty three (23) units against the twelve (12) planned targets.

The Committee noted that during a Pre-TLP Oversight Visit that took place in Acornhoek, one of the houses that were visited; the outside part of the house was of good quality and appreciated the effort the Department is making in providing Military Veterans houses. The house had too many defects or snags on the inside; amongst others the Committee further wanted to know the specifications for the carports for Military Veterans houses since the one observed at Acornhoek was too high; there was no provision for inside toilet; and is there any specific house plan that the Department has used in this regard.

The Department reported that the carport is per the plan and specification as issued to the contractor. The carport was meant to accommodate minibuses as well. The carport is strong to withstand disasters as it has been constructed using steel poles. The houses for war veteran plans have two types of plans namely urban (serviced areas) and rural (unserviced areas) plans. Therefore the houses in question were constructed in a rural area and therefore there is no provision for inside toilets. However, there is a VIP toilet that has been constructed outside. The Department was further requested to explain on what action the Department will take to bring remedy to the situation to all the houses that may have the same problem. In its response the Department reported that the contractor has since been instructed to rectify/fix all the defects as they were noted during the TLP visit. These houses have since been rectified by the contractor.

Incremental Housing Interventions

The Committee noted that under the Incremental Housing Interventions sub-programme, 2 036 of 2 700 of integrated development phase one (1) sites were not completed. The Department reported that a reason for failure thereof was that a project from Govan Mbeki was not ready for implementation due to bulk infrastructure and land availability agreement between Municipality, Department and the Developer.

The target to achieve 419 units of Integrated Development Phase two (2) Top Structures was not attained, instead 341 were realized; the failure to achieve was due to slow performance by contractors, hence new contractors were then appointed.

The programme overachieved on the upgrading of informal settlements, 1 688 units were upgraded compared to the 1000 that was planned. The number of households assisted through Emergency Housing Assistance was not reached, a total of eighty six (86) of one hundred and thirty six (136) were assisted due to slow performance by contractors.

The Committee further wanted to know how many contractors were terminated of their services and how many were newly appointed. In responding the Department reported that seven (7) contractors were terminated and two (2) were newly appointed.

Emergency Housing Assistance

The Committee requested the Department to target high performing contractors due to the nature of the projects for emergency houses.

Rural Housing

The Committee noted that under the sub-programme Rural Housing the number of residential units to be delivered (including 166 rentals units) was overachieved, 3 402 of the planned 2 670 units were delivered. The programme did not achieve the target to provide 5 370 housing opportunities, there was a shortfall of 259 houses (5111 provided). Furthermore, the target to create work opportunities through rural housing related programmes was not achieved at all. All 575 planned work opportunities were not realized, failure was due to the non-appointment of new contractors.

The Committee raised a concern that in the 3rd quarterly performance report, the department indicated that new contractors were appointed for the two (2) abovementioned unachieved targets under incremental housing interventions sub-programme, following the termination of services from previous contractors; however the Department reported that 575 job opportunities could not be created due to non-appointment of contractors.

The Committee noted the adjusted budget for programme 3 is **R1 653 078 000**. The amount spent as at the end of the third quarter was **R498 124 000**, which translates to 30, 1% expenditure Compensation of employees spent 28, 3% of its budget. Goods and services spent 25, 5% of the budget.

The Committee requested the Department to provide reasons for the under expenditure in this programme and whether is the fiscal dumping the reasons for the under spending during this quarter. In its response the Department reported that it is not fiscal dumping since the under spending recorded is insignificant and that there were no corrective measures put in place since there was no underspending.

6.4. PROGRAMME 4: HOUSING ASSET MANAGEMENT

The purpose of the programme is to provide for the effective management of housing, under the strategic objective to increase access to tenure security and land rights by 50 000 by 2020. The programme had a 2 planned targets, from which 1 was achieved. This is a 50% of performance.

Summary of targets in programme 4

Performance Indicators	Planned Targets	Actual Outputs	%
Title Deeds registered	2500	1 310	52.4%
Rental Disputes resolved	55	72	130.9%
Total	2 555	1382	54.0%

The Committee noted that the programme failed to achieve the target of registering 2500 title deeds; only 1310 title deeds were registered, due to lack of township establishment in Municipalities. However as a remedial action, town planners to expedite township establishment in municipalities have been appointed, as stated in the quarterly report. The target to resolve 55 rental disputes was overachieved, a total of 72 disputes were resolved.

The budget allocated for programme 4 is R3 819 000, 00 it remains unadjusted. The amount spent as at the end of this quarter is R955 000, 00 which translates to 25.0% expenditure.

7. PETITIONS

The Committee noted that the latest report the Department submitted on 17 November 2015 only responded to twenty three (23) petitions, out of 146 outstanding petitions. The Committee raised a concern that the Department does not comply with submission dates and three (3) follow up letters were written to the Department. The Department should prioritise the importance of petitions and to further develop clear guidelines of dealing with petitions in the Province right from Municipal to Provincial level.

8. Findings

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

- a) All programmes underspent on their allocated budget and there is a misalignment between the targets and the budget.
- b) The Department has not reached the target to enroll seven (7) projects with National Homebuilders Registration Council (NHBRC) under Technical Management subprogramme due to missing of some project documents e.g. Geotechnical Reports and there is no record keeping system.
- c) 20 residential units has not been delivered to individual housing subsidies were not attained, only seven (7) were delivered and this is due to slow receipt of applications from municipalities as has been reported.
- d) The Department has not finalised the ICT strategic committee and operational committee to address the ICT implementation plan.

- e) Under the Incremental Housing Interventions sub-programme, 2 036 out of 2 700 of integrated development phase 1 sites were not completed.
- f) The target to achieve 419 units of Integrated Development Phase 2 Top Structures was not attained, instead 341 were realized; the failure to achieve was due to slow performance by contractors
- g) The Department did not achieve the target to provide 5 370 housing opportunities, there was a shortfall of 259 houses (5111 provided).
- h) On Rural Housing, the target to create work opportunities through rural housing related programmes was not achieved at all due to the non-appointment of new contractors.
- i) The department has instructed the contractor to rectify/fix all the defects on the Military Veterans Houses as they were noted during the TLP visit at Bushbuckridge Local Municipality.
- j) The department failed to achieve the target of registering 2500 title deeds; only 1310 title deeds were registered, due to lack of township establishment in Municipalities.
- k) The Department has provided progress report on twenty three (23) petitions out of the 146 petitions given to the Department in November 2015 and deadlines are not met.

9. Recommendations

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

- a) Ensure that there must be a correlation between the budget and the planned targets.

- b) Ensure that the target to enroll (seven) 7 projects with NHBRC under Technical Management sub-programme is achieved; and that the projects are enrolled with NHBRC by 30 May 2016.
- c) Ensure that 20 residential units are delivered to individual housing subsidies and that a progress report be submitted by 30 May 2016
- d) Ensure that the ICT Strategic Committee and the Operational Committee is finalised in order to address the ICT implementation plan by 30 May 2016.
- e) Ensure that Under the Incremental Housing Interventions sub-programme, 2 036 of 2 700 of integrated development phase 1 sites are completed and a progress report to be forwarded to the Committee by 30 May 2016.
- f) Ensure that the Department appoints high performing contractors in order to finalise and achieve 419 units of Integrated Development Phase 2 Top Structures and to provide a progress report by 30 May 2016.
- g) Ensure that completion in providing housing opportunities is realized and that monitoring is strengthened and a progress report to be forwarded to the Committee by 30 May 2016.
- h) Ensure that monitoring is done so that the Department is able to create work opportunities through rural housing related programmes and also to appoint high performing contractors.
- i) Ensure that all the Military Veterans Houses that had defects are rectified by the contractor and that monitoring is done by the Department, progress report be provided to the Committee on a quarterly basis.
- j) Ensure that all the title deeds are registered as planned before the end of the financial year and a progress report is provided by 20 May 2016.

- k) Comply with the due date for submitting the reports to the Select Committee on Petitions for timeous feedback to the petitioners.

A progress report should be submitted to the Legislature on or before 30 May 2016

10. CONCLUSION

The Chairperson wishes to express his gratitude to the MEC VS Siwela, the HOD and the senior officials of the Department of Human Settlements for their active involvement during the deliberations on the third 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 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

22/04/2016
DATE