

REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS IN RELATION TO THE 4th QUARTERLY REPORT OF THE DEPARTMENT OF HUMAN SETTLEMENTS – MEETING HELD ON 12 MAY 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 4th quarterly report of the Department of Human Settlements (the Department) for the 2016/17 financial year, reporting period Jan - March 2017. 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 09 May 2017, 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 12 May 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 13 June 2017.

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

- ❖ The 4th quarterly report of the Department is aligned with its 2016/2017 Annual Performance Plan.
- ❖ The Department had planned to achieve 36 targets but managed to achieve 19 targets.
- ❖ The Department has spent about 99.2% as at 31 March 2017.
- ❖ The Department has finally approved the Human Settlements Business Plan.
- ❖ The contractors are registered with National Home Builders Registration Council (NHBRC)
- ❖ The Department has planned to create **2 999 (1 770 units plus 1229 sites)** housing opportunities during the 4th Quarter of 2016/17 Financial Year namely; Construction of Top Structures - **934 Houses**; Servicing of Sites – **3 019 Sites** and **3 953** housing opportunities

4. ANALYSIS ON THE BUDGET EXPENDITURE

The Committee noted that the Department has been allocated an adjusted total budget of R1 979 852 000 for the 2016/17 financial year. The Departmental budget increased by R157 744, from R1 882 108 000 to R 1 979 852 000. The Department has spent R1 964 923 000 which is at 99.2% with only 19 targets achieved out of 36 planned targets.

Summary of the 4th quarter performance of the Department

Programme	Planned targets	Actual Output	% performance achieved	% of Budget used
1. Administration	15	11	73.0%	110%
2. Housing needs, research and planning	9	3	33.0%	103%
3. Housing development	10	4	40.0%	297.1%
4. Housing asset management	2	1	50.0%	0%
Total	36	19	52.8%	99.2%

Financial Analysis

The Committee noted that the Department had total planned targets of 36 and they were three (3) less than the third quarter targets and the department managed to achieve only 19 or 52.8%. The achievement of 52.8% does not impact positively on service delivery and changing the lives of the majority of the poor people and the disadvantaged communities yet spending at the end of the fourth quarter stands at 92%.

The Committee wanted to know the relationship between the performance of the programme, which is at 52.8% and spending at the end of the quarter which is 92%. In its response the Department reported that it had achieved 61% (25/41) in the 4th quarter [59% (27/46) annually]. The spending for the 4th quarter was an overspending of 197% (99% annually). The relationship between the departmental performance and spent budget is that the 59% is on the achieved targets whereas the 99% spending is on the achieved and non-achieved target.

Budget Allocation

Programme	Main appropriation	Adjusted amount	Total Adjusted appropriations	Amount spent	% spent
Administration	133 425	(3,372)	130,053	136 914	105.3%
Housing Needs, Research and Planning	38 265	(500)	37,765	38 854	102.9%
Housing Development	1 647 162	164,872	1,812,034	1 789 155	98.7%
Housing Asset Management	3 256	(3,256)	-	-	
TOTAL	1 822 108	157,744	1,979,852	1 964 923	99.2%

Economic Classification:					
Compensation of employees	167 725	2,300	170,025	172 012	101.2%
Goods and services	57 060	(6,320)	50,740	58 557	115.4%
	-	-	-	-	
Total transfers and subsidies	1 589 524	167,505	1,757,029	1 731 691	98.6%
Payments for capital assets	7 799	(5,741)	2,058	2 663	129.4%
Total	1 822 108	157,744	1,979,852	1 964 923	99.2%

The Committee noted that of the adjusted budget of R 1 979 852 000 the department spent R 1 964 923 000 which translates to 99.2% at the end of the financial year. The Committee also noted that the Department could not spend 0.8% of the budget (R 14 929 000). At the end of the third quarter the Department spending was at 57% and the department only managed to spend 42.2% (R 835 497 000) in the last quarter of the financial year.

The Committee wanted to know of any accruals that the department has carried over at the end of the quarter and how much is expected to be paid. In its response the Department reported that there are accruals that the department has carried over at the end of the quarter. The estimated accruals as at the end of 4th quarter amounted to R6 000 000.

The Committee requested the Department to provide an explanation on how it managed to spend such a huge percentage in the last quarter of the financial year after it was struggling to spend in the first three quarters of the financial year. The department reported that it has developed an acceleration delivery plan during the 3rd quarter which was fully realised in the 4th quarter. As a result, the department spent according to the implementation of the acceleration delivery plan. The Committee requested the Department to indicate how the rapid spending in the quarter translated into delivery of housing units in the province. In its response the Department reported that it created 5076 housing opportunities in the 4th quarter consisting of 3019 serviced sites and 2057 completed housing units.

The Committee requested clarity on why did Programmes 1 and 2 exceeded their budget allocation by 5% and 2.9% respectively. In its response the Department reported that spending for the 4th quarter was an overspending of 197% (99% annually) in line with the implementation of the acceleration delivery plan, however, the Department spend 99.2% of its total adjusted budget.

The Committee also noted that the Department has spent 99.2% of the appropriated allocation which is almost all the allocation for the financial year 2016/17. There are commitments which are not paid as yet, if yes how and where will the department source funding to settle such commitments. In its response the Department indicated that the commitments amounting to R12 678 000, which are emanating from the commitments from an estimated accrual of R6 000 000. The department has applied for a roll over relating to the commitments.

5. BROAD OVERVIEW BY THE MEC

The Honourable MEC appreciated the opportunity to appear before the Committee to report on 4th 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 fourth Quarter performance report of the Department gives an account of what has been done for the period 01 January 2017- 31 March 2017 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. 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 fourth quarter planned to create **2 999 (1 770 units plus 1229 sites)** housing opportunities:

- Construction of Top Structures - **934 Houses**
- Servicing of Sites - **3 019 Sites and 3 953 housing opportunities**

The MEC also reported that In order to increase access to tenure security and land rights a total of **2 277** properties were transferred against a fourth quarter target of **3 500** which will be transferred to rightful owners within the 2017/18 financial year. The Committee should also note that the Department has registered a total of **7 816** which is made up as follows: (4 545-Quarter 1, 1 543-Quarter 2 and 1 728-Quarter 3). The MEC further indicated that judging from the statistics presented above, it is clear that the Department has not been doing well except on the following programmes: Individual housing subsidies, Services Sites, Emergency Housing Assistance, Finance Linked Individual Subsidy Programme (FLISP) and creation of jobs; to this effect the Department will pay attention to areas of under-performance in order to bring improvement.

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. As a measure to accelerate service delivery, the Department is still embarking 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. 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 HOD, Mr K Masange to provide a detailed presentation on the performance of the Department during the 4th quarter of 2016/17 financial year.

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

The HOD, Mr K Masange briefed the Committee on the 4th 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 22 targets and achieved 11 targets which translate to 73% at the end of the fourth quarter. The financial spending is standing at 110.6% as at the end of March 2017.

Information and Communication Technology (ICT)

The Committee noted that the Department ICT strategy is not approved by the ICT committee and requested the Department to provide reasons for non-achievement even during the third quarter, it was not achieved. In its response the Department reported that the ICT Strategy was not approved during the financial year 2016/17 due to lack of capacity to implement ICT matters. However the Department has since requested assistance from the Provincial Treasury on ICT matter.

Spending per economic classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	21 622	21 153	97.9%
Goods and services	9 982	13 809	138.3%
Total transfers and subsidies	7	9	128.6%
Payment for capital assets	-	-	-
Total	31 611	34 971	110.6%

The Committee noted that the economic classification goods and services and transfers and subsidies overspent by 38.3% and 28.6% respectively. The Committee requested the Department to provide an explanation on where did the department source the additional funding to the classifications as specified. The Department reported that the funding was sourced from program 3 through virement. The decision was informed by the underspending of Programme 3 during the three (3) previous quarters. However, the Department acknowledges that programme 3 overspent in quarter 4 while the over spending for the financial year reflects under expenditure.

The Committee also requested the Department to quantify service delivery which corresponds to the spending on goods and services and transfers and subsidies. The Department reported that goods and services in program 1 relate to the support function for the core delivery programs which relates to the purchase of Government vehicles that is used by officials to monitor departmental programmes and projects and purchase of ICT equipment. The Department has also centralized transversal services under program 1 (warehouse items, capital assets, cleaning materials, etc). The Department further reported that transfers and subsidies relates to payments of gratuities as a result of unforeseen circumstances such as death, dismissal, resignation and pensions.

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 through a special allocation budget, the Department has been assigned to implement the bulk water and sanitation infrastructure projects for Emalahleni, Bushbuckridge, Govan Mbeki and Dr. Pixley Ka Isaka Seme local municipalities.

The Committee also noted that the Department is also tasked with the installation of High Mast Lights at Nkomazi, Bushbuckridge, Chief Albert Luthuli and Mbombela (Pienaar) Local Municipality. The Committee further noted that this programme planned to achieve nine (9) targets at the end of the fourth quarter but only three (3) targets were fully achieved. The performance of the programme is equated to 33.3%. The budget allocated for the quarter was R 9 609 000 and the amount used R 9 970 000 which translates to 103.8%. The remaining targets in the programme are either partially achieved or not achieved at all as reflected in the table below.

The Committee requested the Department to provide reasons why the department spent all its allocation for the quarter but only managed to deliver 33.3%. The Department reported that 33.3% relates only to the achieved targets whereas the 103.8% expenditure relates to both achieved and non-achieved targets, the total expenditure includes work in progress.

Programme 2 Performance

Planned target	Performance of Department	Remarks	% performance
1 279 units certified with no defects	900 units certified with no defects	Partially achieved	70%
1 229 sites serviced	3 019 sites serviced	Over achieved	246%
30 projects enrolled NHBRC	5 project registered	Partially achieved	17%
Approved 2017/18 Human Settlements Business Plan	Approval done	Achieved	100%
18 municipalities utilizing Housing Needs Register	18 municipalities	Achieved	100%
1 research report	No research report	Not achieved	0%

compiled	compiled		
2 human settlements development policies	Consultation on the 2 draft policies not done	Not achieved	0%
Bulk water and sanitation infrastructure investments	99% eMalahleni 7% Dr Pixley Ka Isaka Seme	Partially achieved	99%
Project closeout and handover to the municipality	Project not closed out	Not achieved	0%

The Committee requested the department to inform the committee why it only managed to enroll only five (5) projects in National Home Builders Registration Council (NHBRC). The Department reported that it only managed to enroll four (4) of the five planned projects, however the five projects enrolled with the NHBRC are as per the fourth quarter target. The reason for underperformance is due to inadequate capacity to conduct geotechnical investigations by NHBRC. The Committee further wanted to know what percentage of contractors doing business with the Department is enrolled with NHBRC. The Department reported that 100% of the contractors are registered with the NHBRC. However the Department only enrolled five projects during the 4th quarter.

The Committee noted that the Department could not achieve one (1) planned target – (research report); this is a continuing from the previous quarters and the Department was requested to indicate if there is serious challenge on the target. The Department reported that the planned targets could not be finalised as reported previously due to departmental restructuring processes. The 2016/2017 planned research targets are now planned for execution in the 2017/2018 financial year except for the 1 target [i.e. employee satisfaction survey] already being finalised and a report in this regard being prepared.

The Committee enquired whether there are personnel relevantly suitable to lead the target and if yes why the target could not be achieved for all the quarters. The Department reported that the required suitably qualified minimum staff complement is in place except for the filling of the post of Director for Policy and Research to be dealt with as part of the placement processes looking at the profiles of existing personnel.

Spending Per Economic Classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	8 097	9 076	112.1%
Goods and services	1 512	894	59.1%
Total transfers and subsidies	-	-	-
Payment for capital assets	-	-	-
Total	9 609	9 970	103.8%

The economic classification Compensation of employees overspent by 12.1% of the budget allocation at the end of the fourth quarter, the Committee requested the Department to explain the reasons that led to over spending on compensation of employees. In its response the Department reported that the overspending was as a result of the reengineering of the Department. The Committee also wanted to know where the Department sourced the 12.1% which they did not budget for the compensation of employees. In its response the Department reported that the budget was sourced from Programme 3.

The Committee also noted that the sub-programmes policy, planning and research underspent by 64.4% and 10.3% respectively. The Committee requested the Department to provide reasons for under spending in the sub-programmes. The Department reported that the programme underspent due to two (2) vacancies which are still not yet filled but budgeted for.

The Committee further needed clarity on how did the under spending affect the planned services in the programme. The Department reported that under spending negatively affected the performance of the programme that other planned targets were not achieved e.g. research not conducted.

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 four (4) targets were fully achieved at the end of the quarter which translates to 40% performance. The Committee also noted that the budget allocation for the programme is R 266 624 000 and the amount spent was R 792 167 000. The spending was equivalent to 297.1%.

The Committee requested the Department to provide justification on the performance which is at 40% and spending which is at 297%. The Department reported that the 33.3% relates only to the achieved targets whereas the 103.8% expenditure relates to both achieved and non-achieved targets. The Committee also wanted to know what projects were delivered by the programme (297%) and were the projects budgeted for or not. The Department reported that Housing projects, servicing of sites and social amenities. These projects were budgeted for but underspent in the previous quarters.

The Committee wanted to know what led to the overspending by 297% of the allocated budget. The Department reported that department developed the acceleration delivery plan to mitigate under performance in the previous quarters. The spending was based on deliverables in line with the acceleration delivery plan.

Programme 3 Performance

Planned targets	Targets achieved	Remarks	% performance
8 housing subsidies provided through Financial Intervention Programme	25 housing subsidies were provided	Over achieved	313%
4 layout plans and EIA Applications	None	Not achieved	0%
1 229 sites	3 019 sites	Over achieved	246%
1 411 units delivered	604 units delivered	Partially achieved	43%
100 units	75 completed	Partially achieved	75%
325 units delivered through rural housing	297 units delivered	Partially achieved	91%
26 units built for military veterans	8 units delivered	Partially achieved	31%
1 770 rental units delivered	1 147 rental units delivered	Partially achieved	65%
2 999 housing opportunities	4 166 housing opportunities	Over Achieved	139%
2 300 work opportunities	2 445 work opportunities	Over Achieved	106%

The Committee wanted to know what is the relationship between the targets 1 229 sites and achieving 3 019 in programme 2 and the target 1 229 sites and 3 019 achieved in programme 3. In its response the Department reported that Program 2 deals with quality assurance and certification of sites whiles program 3 deals with project implementation in servicing the sites.

The Committee wanted to know on the over achievement in programme 2 (3 019 targets) and the source funding for the delivered projects. In its response the Department reported that Quality assurance and certification of projects is done by the internal human resources in the engineering services and quality assurance chief directorate. Achievement of targets requires compensation of employees and goods and services.

Spending per economic classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	12 608	12 960	102.8%
Goods and services	1 699	1 556	91.6%
Payment for capital assets	1 020	-	-
Total transfers and subsidies	251 297	777 655	309.5%%
Total	266 624	792 167	297.1%

The Committee noted that spending on transfers and subsidies is at 309.5% which is 209.5% overspending. The Department was requested to provide reasons for overspending on the classification. The Department reported that the transfers and subsidies in this programme relate to the delivery of housing units, social amenities, rental stock, Community Residential Unit (CRU) and servicing of sites. The acceleration delivery plan was developed mainly to mitigate underperformance in the previous quarters in the core mandate of the department. The overspending relates to the 4th quarter; however the total expenditure under the classification is at 98.6% at year end.

Programme 3 Performance

Sub-programme	Budget R' 000	Amount Spent	% of Budget Spent
Administration	12 998	273 425	1 709%
Financial intervention	45 846	43 223	94. %
Incremental Intervention	163 862	410 125	250%
Social and Rental Intervention	30 000	15 975	53%
Rural Intervention	10 918	49 419	452%
Total	266 624	791 873	297%

The Committee noted that sub-programmes administration spent R 273 425 (1 709.1%), incremental intervention R 410 125 (250.3%) and rural intervention R 49 419 (452.6%). The Committee requested the Department to provide reasons for the overspending in the sub-programmes. In its response the Department reported that the sub-programme administration includes projects for water provision funded from the additional amount received during budget adjustment.

Incremental intervention and rural intervention includes housing projects, CRU, social amenities and servicing of sites which were delivered in the 4th quarter. The overspending relates to the 4th quarter; however the total expenditure in the programme is at 98.7% at year end.

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 in order to achieve the objective and it only managed to achieve one which translates to 50% performance. The Committee also noted that the programme has never performed above the 50% benchmark in all the quarters.

Programme 4 Performance

Planned Targets	Performance of Department	Remarks
3 500 title deeds registered	2 277 title deeds registered	Partially achieved
75 rental disputes resolved	76 disputes resolved	Achieved

The Committee wanted to know whether there are any plans in place that seek to assist some families whose members are deceased to appoint the administrator of estates. The Department reported that it has devised a strategy that the appointed conveyancers appointed should assist in the finalisation of the administration of deceased estates.

7. Findings

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

- a) Has applied for a roll-over relating to the commitments amounting to R12 678 000.

- b) Information and Communication Technology (ICT) Strategy has not been approved during the financial year 2016/17 due to lack of capacity.
- c) Has inadequate capacity to conduct geotechnical investigations.
- d) Failed to install six (06) of the planned nine (09) High Mast Lights in Nkomazi, Bushbuckridge, Chief Albert Luthuli and Mbombela (Pienaar) Local Municipality during 2016/17 financial year.

8. Recommendations

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

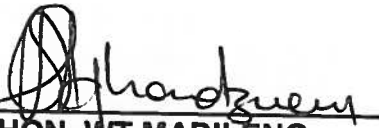
- (a) Ensure that the commitments amounting to R12 678 000 are implemented. A progress report to be submitted to the Committee by 31 July 2017.
- (b) Build capacity and ensure that the ICT strategy is approved as a matter of urgency. A detailed progress report to be submitted by 31 July 2017.
- (c) Appoint relevant engineers in order to capacitate in conducting geotechnical. A detailed progress report to be submitted by 31 July 2017, thereafter on a quarterly basis.
- (d) Ensure that the six (06) outstanding High Mast Lights are installed and functional. A progress report is provided by 31 July 2017.

A progress report should be submitted to the Legislature on or before 31 July 2017

9. CONCLUSION

The Chairperson wishes to express his gratitude to MEC SK Mashilo, the HOD, Mr. K Masange, representative from the Public Service Commission 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 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.

P.P. 

HON. WT MADILENG

CHAIRPERSON: PORTFOLIO COMMITTEE ON
HUMAN SETTLEMENTS AND CO-OPERATIVE GOVERNANCE &
TRADITIONAL AFFAIRS

13/06/17
DATE