



FINANCIAL
AND FISCAL
COMMISSION

**BRIEFING TO THE PORTFOLIO COMMITTEE ON
HUMAN SETTLEMENTS :
DEPARTMENT OF HUMAN SETTLEMENTS 2013
BUDGET VOTE**

24 April 2013

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

- Introduction
- Policy Environment
- Budget Analysis and Performance
- Analysis of Performance of the Main Grant - HSDG
- Analysis of Performance of New Grants – RHIG
- Analysis of Performance of New Grants - USDG
- Annual Performance Plans and Outcomes 2009/10-2012/13
- Annual Performance Plans and Outcomes 2009/10-2012/13
- Recent Commission Recommendation
- Conclusions and Recommendations

INTRODUCTION

- This Submission is made in terms of Section 3(2)(b)(ii) of the Financial and Fiscal Commission Act 99 of 1997
- Response on the PCHS' request
 - Requested the Commission to participate and comment on the Human Settlements vote
- The DoHS has five key strategic programs for 2013/14 financial year
 - The implementation of the revised Finance-Linked Individual Subsidy program
 - Implementation of the management of the Rectification program
 - Focus on the municipal accreditation program
 - Improving the delivery of the social and rental housing
 - Better and improved intergovernmental collaboration and coordination

POLICY ENVIRONMENT

- Recent policies include:
 - National Upgrading Support Program - to assist provinces and municipalities in their efforts to upgrade informal settlements
 - Outcome 8 – with emphasis on the upgrade 400 000 households living in informal settlements over the next four years from 2010
 - The National Development Plan - more efficient land use and compaction
 - A new housing guarantee scheme - targeting households earning between R3501 - R15 000 per month to find a newly built house for sale costing R300 000 or less

BUDGET ANALYSIS AND PERFORMANCE

- Four key programs used by the DoHS to deliver services

Programme	Audited outcome			Revised estimate	Medium-term expenditure estimate		
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Administration	167.7	221.2	222.1	428.3	422.4	426.9	445.1
	1.2%	1.4%	1.0%	1.7%	1.5%	1.4%	1.4%
Human Settlements Policy, Strategy and Planning	233.8	189.0	208.9	67.9	84.1	89.3	93.0
	1.7%	1.2%	0.9%	0.3%	0.3%	0.3%	0.3%
Programme Delivery Support	169.5	207.2	193.0	151.0	226.9	239.3	251.3
	1.2%	1.3%	0.8%	0.6%	0.8%	0.8%	0.8%
Housing Development Finance	13 033.7	15 674.4	22 201.5	24 243.7	27 377.1	29 450.6	31 957.2
	95.8%	96.2%	97.3%	97.4%	97.4%	97.5%	97.6%
Total	13 604.7	16 294.8	22 825.5	24 882.8	28 110.5	30 206.2	32 745.6

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- More than 95 percent of budget is allocated to program 4 responsible for:
 - Management of public entities, provinces and municipalities
 - Acceleration of delivery of housing and human settlements through HSDG, USDG, RHIG and transfers to public entities
 - Improvement of access to housing finance through collaborations with the private sector
 - Ensuring equal access to housing finance – monitoring the lending practices of the financial sector

PROGRAM 4 - SUB-PROGRAM

- HSDG has accounted for 68%, 67% and 68% of total funding in 2009/10, 2010/11 and 2011/12 respectively in program 4

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
R million							
Management for Housing Development Finance	2.4	0.6	1.2	3.0	3.2	3.3	3.5
Chief Investment Officer	18.2	15.9	14.8	24.0	20.9	24.4	22.6
Regulatory Compliance Services	20.4	22.0	22.3	24.2	21.6	22.8	24.1
Human Settlements Development Grant	10 819.3	13 032.1	15 121.5	15 726.0	16 983.9	17 918.3	19 667.2
Contributions	352.6	346.2	484.1	912.8	1 133.8	1 002.1	1 388.0
Rural Households Infrastructure Grant	—	61.6	187.4	340.6	106.7	113.1	118.3
Backlogs in Water and Sanitation at Schools and Clinics (350.0	—	—	—	—	—	—
Urban Settlements Development Grant	4 418.2	4 968.0	6 267.0	7 392.2	9 076.9	10 334.7	10 699.8
Programme Monitoring and Evaluation	30.8	14.8	16.2	20.9	30.2	31.9	33.6
Total	16 011.9	18 461.2	22 114.4	24 463.7	27 377.1	29 490.6	31 957.2

PERFORMANCE BETWEEN 2009/10-2011/12

- Overall spending across all programs is improving

Programme	2009/10	2010/11	2011/12
Administration	67.9%	85.3%	74.8%
Human Settlements Policy, Strategy and Planning	73.4%	63.5%	66.0%
Programme Delivery Support	58.2%	76.4%	96.7%
Housing Development Finance	99.6%	99.7%	99.6%
Total	98.3%	98.8%	99.0%

SPECIFIC PROGRAM PERFORMANCE...

- Some programs are showing inconsistent performance
- Spending on program 1 improved from 67.9% in 2009/10 to 85.3% in 2010/11 but decreased to 74.85 in 2011/12
 - Under-spending in 2009/10 and 2010/11 is attributed to delays in securing additional buildings and vacancies
 - For 2011/12 under-spending is attributed to delays in refurbishment of the offices and the moratorium on the filling of non-critical posts

SPECIFIC PROGRAM PERFORMANCE...

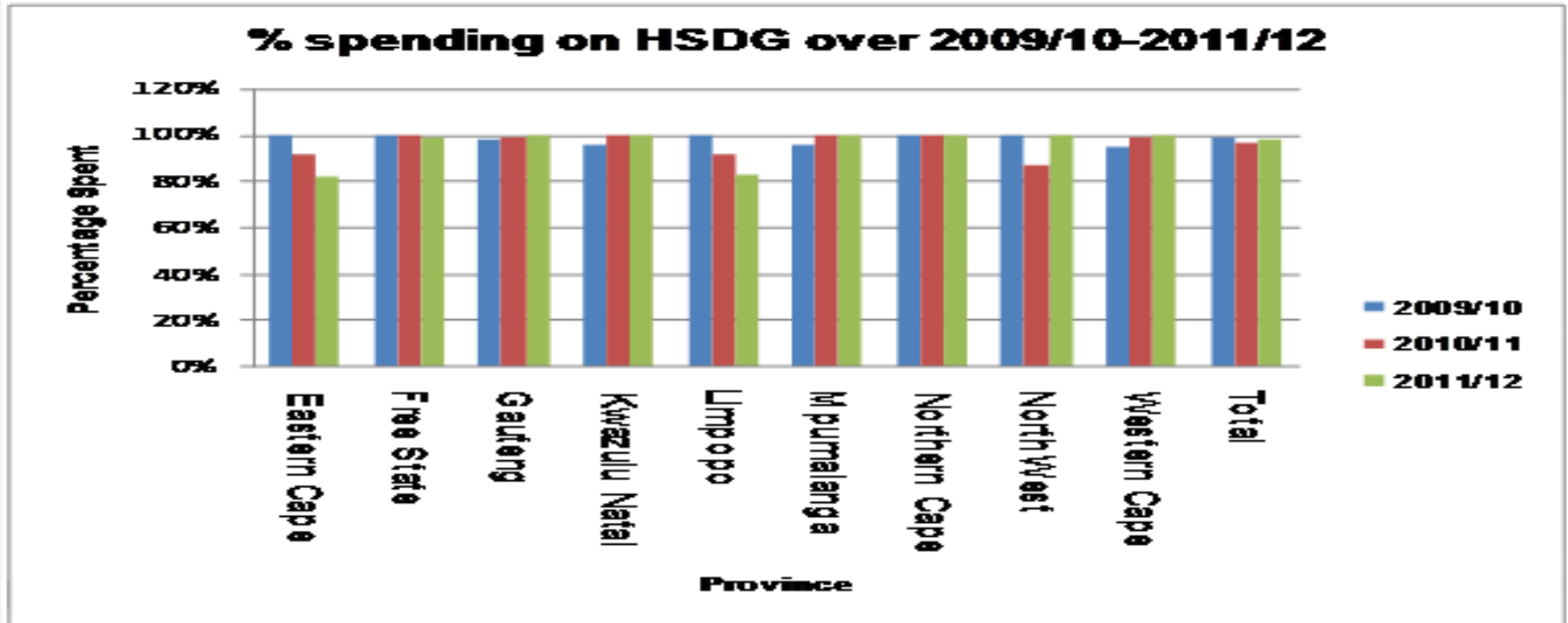
- Spending on program 2 decreased from 73.4% in 2009/10 to 63.5% in 2010/11 and slightly improved to 66.0% in 2011/12
 - Under-spending in 2009/10 is attributed to:
 - Delays in printing the Housing Code and under-expenditure on personnel-related costs as result of vacancies
 - moratorium on filling of non-critical posts
 - research project not completed as anticipated
 - cost-saving measure from reduced travel and subsistence

SPECIFIC PROGRAM PERFORMANCE...

- There has been a gradual improvement of spending on program 3 from 58.2% in 2009/10 to 76.4% in 2010/11 and 97% in 2011/12
- Under-spending in 2009/10 was a result of:
 - non-utilisation of funding provided for the community outreach program,
 - cost-saving measures introduced (which reduced travel and subsistence expenditure)
 - reduced costs associated with not filling vacancies

PERFORMANCE OF KEY GRANTS -HSDG

- Overall spending of the HSDG has improved drastically over the period standing at 99% in 2009/10, 97% in 2010/11 and 98% in 2011/12



PERFORMANCE OF KEY GRANTS -HSDG

- Spending performance in EC and Limpopo is decreasing
- In EC expenditure decreased from 100% in 2009/10 to 92% in 2010/11 and 82% in 2011/12
 - Due to the lack of capacity and cash flow problems
- In Limpopo spending decrease from 100% in 2009/10 to 92% in 2010/11 and to 83% in 2011/12, attributed to:
 - unavailability of bulk infrastructure and serviced land
 - delayed payment of contractors due to less frequent payments by Provincial Treasury
 - slow registration of transfer documents by Deeds Office

PERFORMANCE OF KEY GRANTS -HSDG

- Fragmented grants within the built environment affects housing delivery (reasons for under-spending HSDG in 2011/12 in Limpopo province was unavailability of bulk infrastructure)
 - There is a need to align and sequence these grants
- Provincial transfers not always made on time (under-spending in 2011/12 in the EC and Limpopo include cash flow problems and less frequent less frequent payments by Provincial Treasury)
- DoHS intends to assign the housing function to at least six metros by 2014 to address some of the spending performance problems

PERFORMANCE OF KEY GRANTS - RHIG

- RHIG was introduced in 2010 to assist with achievement of universal access to water and sanitation by 2014
 - As a result of high levels of backlogs in water and sanitation in most rural
- President proclaimed the transfer of sanitation function from DWAF to DoHS to integrate human settlements delivery

PERFORMANCE OF NEW GRANTS -RHIG

- Since its introduction, the RHIG has not performed well

Financial Year	Total Allocation R'000	Total Spending R'000	Spending as a Percentage of Total Allocation
2010/11	100	66.7 (by Mar 2011)	66.7%
2011/12	258	187 (by Mar 2012)	72.8%
2012/13	340.6 (479.5 reduced by 138)	61 (by Jan 2013)	17.9%

Data source: National Treasury and the Department of Human Settlements

PERFORMANCE OF NEW GRANTS -RHIG

- In February 2011 spending was 11% but by March 2011 an additional 55.1% of allocated funds had been spent
- This implies a spending of additional 55.1% (R52 m) in a period of just one month
 - There is potential for fiscal dumping
- Under-spending continued in 2011/12 where overall spending by March 2012 was at 72%, by February 2012 spending was at 31 % but by March spending was 72.8%
- In 2012/13, RHIG allocation was reduced by R138 m to R340 m
- Spending by January 2013 amounted to R61 m (17.9%)

PERFORMANCE OF NEW GRANTS - USDG

- This grant was introduced in the 2011 MTEF for metros to improve the efficiency and coordination of investments in the built environment

Municipality	Total R'000 2011/12	Spent by 31/03/2012		Total R'000 2012/13	Spent by 31/01/2013	
Buffalo City	423 446	796 99	19%	499 474	111 862	22%
Nelson Mandela	502 626	314 922	63%	592 870	226 135	38%
Mangaung	411 995	163 153	40%	485 967	244 416	50%
Ekurhuleni	1 094 276	504 305	46%	1 212 537	455 922	38%
City of JHB	1 027 970	470 176	46%	1 290 748	273 624	21%
City of Tshwane	891 081	349 874	39%	1 051 070	460 938	44%
EThekweni	1 091 574	558 323	51%	1 287 560	274 801	21%
City of Cape Town	824 030	287 972	35%	971 980	344 867	35%
Total	6 266 998	2 728 424	44%	7 392 206	2 392 565	45%

Data source: Department of Human Settlements Annual Report (2011/12) and the National Treasury

PERFORMANCE OF NEW GRANTS - USDG

- By 31 March 2012 only R2.7 b (44%) was spent out of a total allocation of R6.2 b
 - Only Nelson Mandela and eThekweni metro having spent more than 50 % of their allocations (with 63% and 51% respectively)
- Poor performance continued in 2012/13 as spending in January 2013 remained at 45%
 - with only Mangaung having spent 50% of allocated funds while eThekweni and City of Johannesburg spent only 21% of their allocations.

ANNUAL PERFORMANCE PLANS AND OUTCOMES 2009/10-2012/13

Housing units planned/delivered	2009/10	2010/11	2011/12	2012/13
Housing units planned	250 000	220 000	220 000	130 000 (projected)
No of houses completed & construction	161 854	121 879	120 610	72 223 (current)
Target shortfall	(88 146)	(98 121)	(99 390)	

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- The DoHS has not reached its targets of residential housing units delivery despite 100% spending on the HSDG
 - The Commission has attributed this to either targets that are set too high or inadequate funding
 - The Commission therefore has recommended that DoHS should review its yearly targets taking into account unit costs, available funding, capacity and past performance
- The Commission has been unable to make assessments on other performance indicators due to unavailability of data on targets in the Annual Reports

ANNUAL PERFORMANCE PLANS AND OUTCOMES 2013/14-2015/16

- Strategic and APPs support current housing policies and goals

Indicator	2013/14 Targets	2014/15 Targets	2015/16 Targets
Municipalities assessed for level 2 accreditation	5	5	5
Municipalities provided with technical assistance for informal settlement upgrade	49	49	49
Residential units to be completed	132 705	138 540	137 898
Sites serviced	77 248	81 883	85 568
Upgrading of informal settlements with access to secure tenure and basic services	62 752	66 517	69 510
Hectares of land prepared for human settlements development	2 000	2 000	2 000
Loans granted to affordable housing segment	63 798	62 344	67 527
On-site sanitation in rural areas	11 858	12 296	12 588

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- Targets and indicators are in line with strategic key programs developed
- In past years, the Commission had raised concerns that:
 - Some targets were not clearly defined and not disaggregated per year making it difficult to assess and evaluate whether they have been achieved or not
 - These have been addressed in 2013/14-2015/16 Strategic and APPs
- The Commission is also of the view that indicators and targets set are credible. Priorities identified are in line with past recommendations of the Commission

RECENT COMMISSION RECOMMENDATIONS

- The Commission has in the past made recommendations on the accreditation of municipalities
- Positive developments include an intention to assign housing function to six metros and the Commission has made a submission on this proposal
 - the Commission in principle supports the proposed assignment of the housing function to the six metros as it is consistent with its previous recommendations and meets the principles criteria

RECENT COMMISSION RECOMMENDATIONS

- The Commission is of the view that there are the following issues to be addressed for this proposed assignment to be successful:
 - Provision of agreements between the affected parties on a number of issues including operational funding, transfer of staff, monitoring, evaluation and support plan, post assignment;
 - Detailed asset register from provinces;
 - Detailed information of housing projects to be transferred to metros, their stages, funding allocated, funding already spent and funding remaining;
 - Due diligence done on projects already started;
 - Listing and valuation of assets and any liabilities; and
 - Cut off date for these current liabilities to be resolved
 - An appropriate baseline be determined in order to avoid unfunded or underfunding of the full mandate

RECOMMENDATIONS

- There are challenges that require urgent attention by the DoHS and municipalities regarding the USDG and RHIG
- The Commission reiterates recommendations contained in its submission on the Division of Revenue Bill that:
 - There should be a review of RHIG design with a view to make it flexible (where necessary and cost effective, repair and maintenance should be considered a priority)

RECOMMENDATIONS

- Development of effective monitoring systems for verification of housing projects delivered in all provinces by instrument
 - This improves the credibility of reporting
- DoHS should strengthen its monitoring and evaluation role not only in respect of human settlements grants and the development finance institutions but for the entire sector as a whole
- DoHS should make both financial and non-financial performance data on all performance indicators easily accessible on its website
- DoHS should put in place measures to improvement expenditure performance of Programs 1, 2 and 3
- The government should make a decision on its moratorium on filling in of non-critical vacancies

CONCLUDING REMARKS

- Final report on the housing public hearings to be concluded soon
- The Commission looks forward on engaging the PCHS on this



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THANK YOU.

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Briefing to the Portfolio Committees on Human Settlements